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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

NOTIFICATION

(CHARTERED ACCOUNTANTS)

New Delhi, the 18th September, 1964

No. 48-CA(1)/64.—In pursuance of sub-section (5) of Section 18 of the Chartered Accountants Act, 1949, a copy of the report and the audited accounts of the Council for the year ended 31st March 1964 is hereby published for general information:

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA FIFTEENTH ANNUAL REPORT OF THE COUNCIL FOR THE YEAR ENDED 31ST MARCH, 1964.

The Council has pleasure in making its Fifteenth Annual Report for the year ended 31st March 1964, in accordance with the provisions of Section 18(5) of the Chartered Accountants Act, 1949.

I. THE COUNCIL

A. MEMBERS OF THE COUNCIL

As provided in Section 9 of the Chartered Accountants Act, the Fifth Council constituted partly by election and partly by nomination on 17th September 1961 consists of the following members:

Aiyar, R. V.	Calcutta
Basu, A. C.	Calcutta
Brahmayya, P.	Madras
Chitale, M. P.	Bombay
Cooper, R. C.	Bombay
Desai, S. N.	Bombay
Dhondy, H. B.	Bombay
Gibb, J. S. F.	Calcutta
Gupta, S. K.	Calcutta
Gutgutia, K. N.	Calcutta
Haribhakti, V. B.	Bombay
Khanna, K. C.	New Delhi

Lakhia, C. R.	Ahmedabad
Lall, R. M.	Lucknow
Majumdar, H. M.	Calcutta
Mody, N. R.	Bombay
Raghu Nath Rai	New Delhi
Rangaswamy, D.	Madras
Satyamurti, V.	New Delhi
Sen, P. K.	New Delhi
Soundararajan, V.	Madras
Tandon, P. L.	Bombay
Vallibhoy, F. H.	Calcutta
Veeraraghavan, N. N.	Madras
Venkatesan, R.	Madras
Viccajee, V. F.	Calcutta

#### B. PRESIDENT & VICE-PRESIDENT

Shri P. Brahmayya (Madras) who was elected President at the Thirteenth Annual Meeting held in September 1962 continued in the office upto 16th September, 1963.

Dr. R. C. Cooper (Bombay) who was Vice-President in the preceding year was elected President at the Fourteenth Annual meeting of the Council held on 14th and 15th September 1963 and at the same time, Shri Raghu Nath Rai (Delhi) was elected Vice-President. They shall hold these offices until 16th September, 1964.

#### C. NEW MEMBER OF THE COUNCIL

Mr. J. S. F. Gibb and Shri V. Satyamurti members of the Council nominated by the Central Government resigned their membership of the Council and their resignations were accepted with effect from 6th June and 18th July 1964 respectively.

Shri B. P. Roy has been nominated in place of Shri V. Satyamurti by the Central Government.

#### D. MEMBERS OF THE VARIOUS COMMITTEES

1. The following Standing Committees were constituted by the Council under Section 17(1) of the Act for a period of one year from 17th September, 1963:

##### (i) Executive Committee.

Dr. R. C. Cooper, President.  
 Shri Raghu Nath Rai, Vice-President.  
 Shri H. B. Dhondy.  
 Shri S. K. Gupta.  
 Shri N. N. Veeraraghavan.

##### (ii) Examination Committee

Dr. R. C. Cooper, President.  
 Shri Raghu Nath Rai, Vice-President.  
 Shri C. R. Lakhia.  
 Shri H. M. Majumdar.  
 Shri B. Rangaswamy.

##### (iii) Disciplinary Committee

Dr. R. C. Cooper, President.  
 Shri Raghu Nath Rai, Vice-President.  
 Shri M. P. Chitale.  
 Shri P. K. Sen.  
 Shri R. Venkatesan.

2. The following other Committees were also constituted with effect from 17th September, 1963:

(i) Research Committee

Shri N. R. Mody, Chairman.

Shri H. B. Dhondy, Vice-Chairman.

Shri R. V. Aiyar.

Shri P. Brahmayya.

Dr. R. C. Cooper.

Shri V. B. Haribhakti.

Shri S. N. Cooper.

Shri B. M. Pardiwalla.

(Co-opted under Section 17(2)  
of the Act).

Shri M. H. Mody.

Shri Y. H. Malegam.

(ii) Post Graduate Course Committee

Shri S. K. Gupta, Chairman.

Shri M. P. Chitale, Vice-Chairman.

Shri S. N. Desai.

Shri V. B. Haribhakti.

Shri R. M. Lall.

Shri V. Satyamurti.

Shri P. L. Tandon.

Shri R. Venkatesan.

(iii) Professional Development Committee

Shri S. N. Desai, Chairman.

Shri V. Satyamurti, Vice-Chairman.

Shri A. C. Basu.

Shri P. Brahmayya.

Shri H. B. Dhondy.

Shri N. R. Mody.

Shri V. Soundararajan.

Shri F. H. Vallibhoy.

Shri Y. H. Malegam.

Shri C. P. Mukherjee.

Shri A. K. Sen.

} (Co-opted under Section 17(2)  
of the Act).

(iv) Taxation Committee

Shri S. N. Desai, Chairman.

Shri F. H. Vallibhoy, Vice-Chairman.

Shri R. V. Aiyar.

Shri A. C. Basu.

Shri M. P. Chitale.

Shri V. B. Haribhakti.

Shri K. C. Khanna.

Shri N. N. Veeraraghavan.

(v) Coaching Board

Shri V. B. Haribhakti, Chairman.

Shri H. M. Majumdar, Vice-Chairman.

Shri P. Brahmayya.

Shri C. R. Lakhia.

Shri R. M. Lall.

Shri B. Rangaswamy.

Shri V. Soundararajan.

Shri S. D. Nargolwala.

(Co-opted under Section 17(2)  
of the Act).

## (vi) Expert Advisory Committee

Shri N. R. Modi, Chairman.

Dr. R. C. Cooper, Vice-Chairman.

Shri H. B. Dhondy.

Shri S. N. Desai.

Shri C. C. Chokshi.

Shri M. H. Mody, Member/Secretary. } (Co-opted under Section 17(2)

of the Act).

## (vii) Shield Panel

Shri N. R. Modi, Chairman.

Shri P. Brahmayya, Vice-Chairman.

Shri K. N. Gutgutia.

Shri M. H. Mody.

Shri S. K. Bhattacharyya. } (Co-opted under Section 17(2)

of the Act).

## (viii) Ad Hoc Committee for Looking into Complaints of Unjustifiable Removals from Auditorship.

Shri N. R. Modi, Chairman.

Shri J. S. F. Gibb.

## (ix) Land and Buildings Committee

Shri P. Brahmayya, Chairman.

Dr. R. C. Cooper, Vice-Chairman.

Shri K. N. Gutgutia.

Shri V. Satyamurti.

Shri V. F. Viccagee.

## (x) Employment Committee

Shri J. S. F. Gibb, Chairman.

Shri V. Soundararajan, Vice-Chairman.

Shri K. N. Gutgutia.

Shri K. C. Khanna.

Shri R. M. Lall.

Shri V. F. Viccagee.

## (xi) Committee for Establishing Liaison with Universities

Shri K. C. Khanna, Chairman.

Shri H. M. Majumdar, Vice-Chairman.

Shri R. V. Aiyar.

Shri C. R. Lakhia.

Shri R. M. Lall.

3. Two Special Committees were also constituted for the purpose of enrolment of members under clauses (iii) and (iv) of sub-section (1) of section 4 of the Chartered Accountants Act, 1949. The members of these Committees are Dr. R. C. Cooper, President (Chairman), Shri Raghu Nath Rai, Vice-President and Shri V. Satyamurti.

## E. COUNCIL AND COMMITTEE MEETINGS.

During the year, the Council met on three occasions. The following Committees held meetings totalling 51 as follows:

	Number of meetings held in	
	1963-64	1962-63
1. Standing Committees:		
(i) Executive	4	3
(ii) Examination	7	6
(iii) Disciplinary	12	6

Number of meetings held in  
1963-64 1962-63

## 2. Other Committees:

(i) Research	3	2
(ii) Post Graduate Course	4	3
(iii) Professional Development	3	2
(iv) Taxation	3	3
(v) Coaching Board	4	3
(vi) Expert Advisory	2	2
(vii) Shield Panel	1	1
(viii) <i>Ad hoc</i> Committee for looking into complaints of unjustifiable removals from auditorship	—	1
(ix) Land & Buildings	2	2
(x) Employment	2	2
(xi) Committee for establishing liaison with the Universities	2	4

## 3. Special Committees:

(i) Under Section 4(1) (iii)	2	2
(ii) Under Section 4(1) (iv)	2	2

## II. MEMBERS

### A. MEMBERSHIP CHANGES.

The number of members admitted during the year 1963-64 was 593. 9 former members of the Institute resumed membership during the year. Under Section 20 of the Chartered Accountants Act, the names of 52 members were removed from the Register: 15 due to death, 4 at their own request, 31 due to non-payment of fees and 2 due to other causes.

The number of members of the Institute on 31st March 1964 was 6063, compared to 5518 on 31st March, 1963, an increase of 563. A summary of the changes is given in Appendix "A".

### B. RECOGNITION OF QUALIFICATION AWARDED BY THE PUBLIC ACCOUNTS' AND AUDITORS' BOARD OF SOUTH AFRICA FOR ADMISSION AS A MEMBER.

The Council has decided that a person who possesses the qualification awarded by the Public Accountants' and Auditors' Board of South Africa and who is "permanent resident of India" may be enrolled as a member of this Institute subject to his status as a "permanent resident of India" being enquired into and accepted by the Council.

### C. RESOLUTION OF THE COUNCIL UNDER SECTION 4(1)(v).

The Council at its meeting held in February 1953, had passed a resolution to recognise the examination and practical training undergone according to the Regulations of any of the four Accountancy Bodies in U.K., as equivalent to the examination and training prescribed for the members of the Institute, in exercise of the authority vested in it by clause (v) of sub-section (1) of Section 4 of the Chartered Accountants Act. One of the objects of this resolution was that Indian nationals who had acquired a part of the training in India and the rest in U.K., be considered eligible for the membership of this Institute.

Some difficulties having arisen in the implementation of this resolution, the Council has decided that the word 'practical' occurring in the foregoing resolution be omitted. In consequence, a candidate who has undergone either theoretical or practical training in England and has passed the examination conducted by any one of the four Accountancy Bodies recognised by the Institute would be eligible for admission as a member of the Institute.

### D. FELLOWSHIP.

During the year 1963-64, the number of Associates who became Fellows on the basis of five year's continuous practice was 171 (compared to 150 during the year 1962-63). 7 Associates were enrolled as Fellows on the ground that they

possessed experience, considered equivalent to the experience normally acquired as a result of continuous practice for a period of 5 years, under Regulation 5(4) of the Chartered Accountants Regulations, 1949 (compared to 4 during 1962-63).

#### E. LIST OF MEMBERS.

The list of members as on 1st April 1964, has been published and copies thereof supplied to such of the members who had asked for a copy, as provided in Section 19(3) of the Act.

#### F. DISCIPLINARY ACTION.

Details of the findings of the Council in the cases referred by it for enquiry to the Disciplinary Committee under Regulation 11(8) since the last report are given in Appendix "B".

#### G. PROFESSIONAL CONDUCT.

1. The Council has published a book entitled "Code of Conduct" which has been supplied to all the members of the Institute free of cost. The Council will be bringing out shortly a booklet summarising and illustrating the principles affecting auditors, their rights, duties, obligations, practice, etc., settled by legal decisions.

2. After approval of the Council the following statements were published in "The Chartered Accountant":

- (1) *"Insertion of names of members or firms in the Telephone Directory" (May 1963).*

"It was notified in the Bulletin for December 1950 that if a member allows his name or that of his firm to be published in the Telephone Directory under the Classified List, it would be deemed to be an advertisement, provided a separate payment has been made for the same. Subsequently, it was notified in the Journal for February 1954, that publication of the name of the member or that of his firm in the Classified List in the Telephone Directory would be objectionable, only if it is published in bold type provided a separate payment, has been made for it or it has been so published at the special request of the partner or partners of the firm concerned. It was also clarified that if it is made at the request of the partner or partners of the firm or on payment of an additional fee, it would attract the provision of clause (e) of the Schedule [now clause (6) of Part I of the First Schedule] to the Chartered Accountants Act, 1949.

The Council, at its recent meeting, reconsidered this matter and decided, in modification of its aforementioned decisions, that publication of the name of the member or that of the firm, in which he is a partner, or of which he is the proprietor, in the Classified List in the Telephone Directory in any event would be objectionable. But a member could, adopt the designation "Chartered Accountant" along with his name in the Alphabetical List of subscribers provided the same is not in bold type."

- (ii) *"Recommendation of the Council on Audit of Liquidator's Accounts". (August 1963).*

"The Department of Company Law Administration has brought to the notice of the Council cases where chartered accountants acting as liquidators of Companies have insisted on themselves auditing the statements of accounts submitted by them as liquidators under section 551 of the Companies Act, 1956.

In order to establish a healthy convention, the Council recommends that, where a chartered accountant acts as a liquidator, the statements of accounts to be filed under section 551(1) of the Companies Act, 1956 should be audited by a qualified chartered accountant other than the chartered accountant who is the liquidator of the company."

- (iii) *"Independence of Auditors" (May 1964).*

"The subject of independence of auditors has been discussed of late and one of the matters concerns the appointment as auditors of persons who are relatives of Managing Agents, Managing Directors, whole-time Director or a Partner of the firm acting as Managing Agents/Secretaries/Treasurers of the Company. It has been mentioned that in such instances where close relationship exists, it is possible that the independence of an auditor may be jeopardized.

Although the Council feels that there are adequate safeguards provided in the Companies Act as well as in the Chartered Accountants Act, it is of the view that independence, being a state of the mind, is not necessarily affected by the fact of mere relationship any more than it would be in existence if the relationship did not exist. In any case, lest there may be any feeling in the public mind that relationship would affect the independence of auditors, the Council suggest that where, due to near relationship of an auditor with a Managing or a whole-time Director or a Partner of the firm acting as Managing Agents/Secretaries/Treasurers of the firm, the independence of an auditor is likely to be jeopardized, he should use his good sense, and acting in the best traditions of the profession, refrain from accepting the appointment. Similarly, if an auditor is a relative of a Director other than a Managing or a whole-time Director or an associate of the Managing Agents, the partner of the firm who is so related may not, if he feels that his independence is likely to be affected, perform the audit but should leave it to another partner of the firm."

#### H. AD HOC COMMITTEE

##### (UNJUSTIFIABLE REMOVAL OF AUDITORS)

During the year, no complaint was received by the Committee.

#### I. COUNCIL'S NOMINATION ON OTHER BODIES

Shri Raghu Nath Rai continued to attend the meetings of National Productivity Council as a special invitee. Shri R. Venkatesan continued to act as a member of the All India Board of Technical Studies in Management and Shri R. V. Aiyar continued to represent the Council on the All India Board of Technical Studies in Commerce. They were nominated by the Council as its representatives on these bodies on their reconstitution respectively on 12th February 1963, 1st January 1963 and 1st January 1963.

The Institute of Applied Manpower Research has also provided for a representation of this Institute on its General Council.

#### J. LIBRARY

During the year, the Central Council sanctioned an amount of Rs. 10,000/- each for purchase of books for the Western India Regional Council, Eastern India Regional Council and Southern India Regional Council Libraries. During the year, 413 books were added to the Central Council Library bringing the total number of books to 4,967. Greater use is being made of the Library and this can be seen from the figures given below:

Year	Attendance	Books consulted
1960-61	1,966	3,747
1961-62	2,796	5,038
1962-63	3,483	5,330
1963-64	3,563	5,420

Number of books in the Libraries of the various Regional Councils as on 31st March 1964 were as under:

Western India	1551
Southern India	676

In addition, there are 430 books on Management Accounting in the Regional Council Libraries for the use of members preparing for the Management Accountancy Examination.

A list of books added to the Central Council Library is being published in the Institute's Journal every quarter.

#### K. EMPLOYMENT REGISTER

The employment opportunities for the members having improved, quite often soon after a member has registered his name, he finds employment. The names registered in the Employment Register are, therefore, reviewed every half-year by sending to the members of a circular to find out whether they would be interested in continuing their names for the next 6 months on the Employment Register.

The total number of members on the Employment Register on 31st March, 1964, was 162 against 184 as on 31st March, 1963. In order to give a wide publicity to the existence of the Employment Register both to members and the employers, a note is published every quarter in the Journal of the Institute.

During the year 1963-64, 26 vacancies were notified and 68 members were recommended to the various employers.

#### L. DEATH OF MEMBERS

The Council records with regret the names of members whose death has been reported up to the date of preparation of this report (Appendix "C").

### III. EXAMINATIONS

#### A. EXAMINATIONS IN 1963.

Examinations as usual were held in May and November 1963 at various centres all over India. The statistics regarding the number of candidates who appeared and those declared successful are given in Appendix "D".

#### B. PRIZES AND CERTIFICATES OF MERIT.

Names of candidates who were awarded prizes and Certificates of Merit in these examinations are included in Appendix "E".

#### C. PASSING THE FINAL CHARTERED ACCOUNTANTS EXAMINATION BY GROUPS.

Under the Chartered Accounts Regulations 1949, a candidate who had passed in one of the Groups of the Final Examination was allowed six more attempts at the immediately following next six examinations to pass the other Group without being required at the same time to sit for the Group in which he had passed. However, if the candidate failed to pass in the remaining group within the six examinations stated above, it was necessary for him to pass in both the Groups when he next sat for the examination. On a reconsideration of this provision, it was decided that a candidate who had passed in one of the Groups of the Final Chartered Accountants Examination be not required to pass that Group again, irrespective of the time he takes to pass in the remaining Group. The Regulations have been amended accordingly.

#### D. COACHING BOARD.

During the year ended 31st March, 1964, 1809 students were enrolled—1792 for the Intermediate and 17 for the Final Course. Besides, 680 students on passing the Intermediate Examination continued tuition for the Final Examination. In the immediately preceding year, the total number of students enrolled was 1455; 1412 students for the Intermediate and 43 for the Final course; and 639 students on being declared successful in the Intermediate Examination started tuition for the Final Examination.

A statement showing the total number of students enrolled during the year for the two courses and the number that appeared for the two examinations, Intermediate and Final, on completing the course is contained in Appendix "F". The corresponding figures for the previous year are shown in brackets. On a comparison of the two figures it would be clear that there has been a significant increase both in the number of students enrolled and those who were able to complete their courses of tuition.

With a view to expedite the return of answer papers to students after examination, the answer papers of students residing in territories comprised in the Southern, Eastern and Western India Regional constituencies are now collected at the headquarters of the respective Regional Councils and only those of students residing in territories comprised in the Northern and Central India Regional Constituencies are collected at New Delhi and after examination locally these are returned back to them. It is expected that in this way it would be possible, not only to reduce the time taken in the examination of answer papers, but also to promptly deal with the demands of students for the supply of certain items of study material, saleable publications etc.

To provide new entrants to the course with adequate background as regards the scope and purpose of their theoretical studies and practical training, the Council had decided that Introductory Courses twice a year should be conducted at all the Regional headquarters. An Introductory Course according to the scheme has already been held successfully for one session at Bombay and Calcutta and arrangements for holding them at other places are being made.



## IV. ARTICLED AND AUDIT CLERKS

## A. FRESH ENROLMENTS.

During the year 1963, 1567 Articled Clerks were registered as compared to 1493 in 1962; 386 Audit Clerks were registered in 1963 as against 294 in 1962.

## B. SECONDMENT OF ARTICLES.

The Council has decided that for providing Articled Clerks with a more varied experience than what is possible at present, it should be permissible for an employer, with the consent of the articled clerk, to second him once or twice during the period of articles, for a total period not exceeding six months, to another member permitted to train articled clerks.

## C. STUDENTS' ASSOCIATIONS.

The Students' Associations have been quite active during the current year. Western India Chartered Accountants Students' Association held a "Brain Trust-Cum-At-Home". Prizes were awarded to the Students for best questions in Taxation, Accounting, Auditing and Company Law. Northern India Chartered Accountants Students' Association held a conference of Students of their region during the current year. Lectures, meetings, symposiums etc. were also arranged by some of the Students' Associations.

A branch of the Students' Association has been set up at Poona.

## V. INTERNATIONAL CONFERENCES, ALL INDIA CONFERENCES, SEMINARS, RESIDENTIAL COURSES ETC.

## A. FOURTH CONFERENCE OF ASIAN AND PACIFIC ACCOUNTANTS.

The invitation of the Council, jointly with the Institute of Cost and Works Accountants of India, to hold the Fourth Conference of Asian and Pacific Accountants in India in November 1965, has been accepted. This would be the first International Conference of Accountants to meet in India and the Council is extremely proud of the privilege accorded.

A Committee of eleven members, whose names are given below, has been set up for making the necessary arrangements:

Representatives of the Institute of Chartered Accountants of India.

1. Shri N. R. Mody, Chairman.
2. Shri P. Brahmayya.
3. Dr. R. C. Cooper.
4. Shri C. C. Chokshi.
5. Shri S. N. Desai.
6. Shri C. P. Mukherjee.
7. Shri Raghu Nath Rai.
8. Shri V. Satyamurti.

Representatives of the Institute of Cost and Works Accountants of India.

9. Shri J. N. Bose, Vice-Chairman.
10. Shri D. D. Kalra.
11. Shri K. K. Roy.

A number of sub-Committees have been appointed for looking after the various aspects of the Conference.

The Conference would be held on the 29th and 30th November and 1st December 1965. The inauguration would take place in the morning of 29th November 1965 at Vigyan Bhawan Auditorium, while the technical sessions would be conducted in the Auditorium of the Indian Council of World Affairs (Sapru House). A very large number of delegates from India and overseas is expected to attend the Conference.

The following subjects have been selected for discussion at the Conference:

*Accounting:*

- (i) Need for developing international terminology and uniform Accounting Practices.
- (ii) Accountant's role as a Financial Adviser.
- (iii) Accounting as a means of measuring efficiency.

*Auditing:*

- (i) Management Audit (including efficiency and cost audit).
- (ii) Auditor's responsibility with reference to management frauds.
- (iii) Internal Audit as an aid to management.

*Taxation:*

Impact of tax policy on economic development and international investment.

*Management Accounting:*

- (i) Management Accounting techniques for small and medium sized industries.
- (ii) Profitability as a tool in Product Planning.
- (iii) Capital Expenditure—Planning and Control.

*Professional Development:*

- (i) Modern trends in accountancy training.
- (ii) The impact of electronic computers and other scientific devices on accounting and auditing techniques.
- (iii) Accountant's role in public affairs.

**B. ALL INDIA CONFERENCES OF CHARTERED ACCOUNTANTS.**

The Fourth All India Conference of Chartered Accountants, which was to be held in December 1962 but was postponed due to a National Emergency having arisen, was held from 26th to 29th July 1963 at Madras. The Conference was inaugurated by Dr. A. L. Mudaliar, Vice-Chancellor, Madras University and was attended by 464 delegates from all over the country. Three Japanese observers also attended the Conference.

There were six technical sessions and at each session, three papers were presented. There were six papers on problems concerning various direct taxes and trends in taxation. Three papers dealt with accounting principles, while three more dealt with the auditor's position, responsibility and liabilities in relation to the requirement of presenting a "true and fair" position in published Accounts, internal control systems etc. Three papers dealt with Management Accounting and three more dealt with general problems of interest to Accountants, like Bonus to employees, organisation of an accountant's office and the future of the profession.

A complete list of the subjects discussed at the Conference is given below:—

1. Effects of Direct Taxation on Industrial Growth in India—Shri R. Balagangadharan and Shri M. Sundararaman.
2. Recent trends in Personal and Business Taxation—Dr. R. C. Cooper.
3. Firm as a Unit of Assessment—Shri C. C. Dalal.
4. Taxation of Income of Foreigners (both Residents and Non-Residents)—Shri H. M. Damania.
5. Valuation of Shares and Business Assets for Estate Duty purposes—Shri N. C. Krishnan.
6. Gift and its valuation—Shri Raghu Nath Rai.
7. Treatment of Intangible Assets in Accounts—Shri H. B. Dhondy.
8. Modern Trends in the Presentation of Final Accounts and Reports—Shri P. K. Lahiri.
9. Concept of Cost and Market Value—Shri M. S. Srinivasan.

10. "True and Fair"—Auditors' Responsibility—Shri P. M. Narlevala.
11. Internal Control and Audit Procedure—Shri V. B. Haribhakti.
12. The Liability of Auditors—Shri M. C. Bhandari.
13. Concept of Differential Cost and its Practical Application—Shri R. Rajagopalan.
14. Responsibility Accounting—Shri S. R. Srinivasan.
15. Management Accounting and the Role of Chartered Accountants—Shri S. K. Gupta.
16. The Accountant's View of Profit Available for Bonus—Shri P. S. Subramaniam.
17. Organisation of a Practising Accountant's Office—Shri A. K. Sivaramakrishnan.
18. Future of the Profession in a Developing Mixed Economy—Shri R. N. Rajam Iyer.

#### C. JOINT CONFERENCE OF CHARTERED AND COST ACCOUNTANTS.

It has been decided to hold a Joint Conference of Chartered and Cost Accountants along with the Conference of Asian and Pacific Accountants in 1965. The dates for the joint conference have been fixed as 27th and 28th November 1965. A joint committee consisting of representatives of both the Institutes is being appointed for making the arrangements.

#### D. ALL INDIA SEMINAR ON MANAGEMENT ACCOUNTING.

During the year, an All India Seminar was organised by the Post Graduate Course Committee. The Seminar was held from 15th to 17th February 1964 at Bangalore. It was inaugurated by Hon'ble Shri S. Nijalingappa, Chief Minister, Government of Mysore, and was attended by 82 participants and 35 observers.

The following subjects were discussed at the Seminar:

1. Inter-firm Comparison and Measurement of Productivity.
2. Profit Planning for a Project.
3. Financing of Projects and Tax Planning by Corporate Bodies.
4. Integration of Financial and Cost Accounts.
5. Management Accounting in a Medium Size Industry.

#### VI. REGIONAL COUNCILS

##### A. REGIONAL SECRETARIATS.

As reported last year, the Institute had set up Regional Councils in all the 5 Regional Constituencies, some 12 years ago to promote the growth of the profession. With the active assistance of the Central Government, it has been possible for the Council to acquire buildings at Bombay, Calcutta and Madras. Sometime ago the Council had decided to set up Secretariats at all the three Regional headquarters where there are buildings. In pursuance to Council's decision, Regional Secretariats have been established at all these places and full-time Assistant Secretaries have been appointed to give an impetus to the work of the Regional Councils.

##### B. BRANCHES OF REGIONAL COUNCILS.

To give an impetus to the work of the Regional Councils and to co-ordinate their functions, the Council had also set up branches of the Regional Councils in the undermentioned towns:

1. Western India Region.  
Ahmedabad and Poona.
2. Southern India Region.  
Bangalore, Colmbatore, Madurai and Hydershad.

## VII. AWARDS FOR THE BEST PRESENTED ACCOUNTS

During the year, 146 entries were received for the best presented accounts as compared to 171 in the previous year.

The annual report and the statements of accounts of Indian Aluminium Company Limited for the year ended 31st December 1962 were adjudged the best and those of the undermentioned concerns were considered the next best, but their ranking 'inter se' was not fixed.

1. The Tata Oil Mills Company Limited, for the year ended 31st March, 1963.
2. Mukand Iron and Steel Works Ltd., for the year ended 31st March, 1963.
3. The Metal Box Company of India Ltd., for the year ended 31st March, 1963.

The Indian Aluminium Company Limited was awarded the shield and the other three companies were awarded Copper Plaques.

## VIII. PROFESSIONAL MATTERS

## A. DISCUSSIONS WITH REPRESENTATIVES OF THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA.

Informal discussions between representatives of the two Institutes are being held to arrive at a mutually acceptable formula regarding the respective rights and sphere of work of the members of the two Institutes. It is hoped that some concrete results would soon emerge as a result of these discussions.

## B. SPECIAL COMMITTEE FOR REVISING THE SYSTEM OF TRAINING AND EXAMINATION.

In consideration of the fact that there has been an unprecedented increase in the demand from industry for the services of Chartered Accountants, the Council has, from time to time introduced measures for attracting a larger number of candidates and of a higher calibre to the Chartered Accountants Course. These however having not proved successful in substantially increasing the annual intake of members, the Council felt it necessary to reappraise its entire system of training and examination. For this purpose the Council set up in March 1963 a Special Committee consisting of:

Shri P. Brahmayya, the then President,  
Dr. R. C. Cooper. Vice-President (now President),  
Shri V. Satyamurti,  
Shri N. R. Mody,  
Shri P. L. Tandon,  
Shri N. Dandeker,  
Shri J. M. Addison-Scott.

The following were the terms of reference of the Committee:—

"To examine the manner in which the system of training and examination required to be amended on the consideration that there has been a spurt in the demand for the services of Chartered Accountants from industry, by examining its nature and strength, by collecting views of the members of the Institute by issuing a questionnaire and by inviting some of them as well as leading industrialists to give oral evidence."

The Committee issued a questionnaire and circular to elicit the views of the members, Industrialists, Chambers of Commerce etc. on specific issues, and subsequently held meetings at different places in the country, for collecting evidence, both of individuals and organisations, associated with the work of Chartered Accountants. The Committee submitted its report to the Council in October 1963 and made certain very useful recommendations which were considered by the Council at a special meeting held in November 1963. A summary of the decisions of the Council in respect of the recommendations of the Special Committee is given in Appendix "G".

To implement the recommendations of the special committee, a number of amendments to the Chartered Accountants Regulations have been introduced as part of the Chartered Accountants Regulations, 1964.

### C. PROFESSIONAL DEVELOPMENT COMMITTEE

During the year, the Committee submitted two memoranda to the Government suggesting a number of amendments in the Companies Act. While suggesting the amendments, the Committee also took into consideration the recommendations made by the Vivian Bose Commission and the recommendations of Sarvashri Daphtary and Sastry based on the Vivian Bose Commission's report. These memoranda were published in January 1964 issue of the Institute's Journal and are annexed as Appendices "H" and "I".

The Committee is at present considering laying down broadly the various phases of audit work that should be performed by different levels of staff of the members' firms. The Committee is also considering steps that should be taken to equip members with modern techniques and practices relating to accounting and allied fields.

The Special Committee set up by the Council for revising the system of training and examination has recommended that staff training programmes for the benefit of Audit and Articled Clerks should be started. The Committee has been entrusted with the work of preparation of the scheme of the staff training programme and this is, at present, receiving active consideration of the committee.

### D. TAXATION COMMITTEE

For the first time, the Institute submitted a very comprehensive pre-budget memorandum to the Government. This memorandum was published for the information of the members in March 1964 issue of the Institute's Journal 'The Chartered Accountant'. After the budget for the year 1964-65 was presented to the Parliament, the Institute submitted a representation to the Government on the Finance Bill 1964-65 and The Companies (Profits) Surtax Bill (published in April 1964 issue of "The Chartered Accountant"). The President along with a few leading members of the Council called on the Finance Secretary and at the request of the Finance Minister, another representation was submitted dealing with practical difficulties and hardships resulting from the budget proposals. (Published in May 1964 issue of the Institute's Journal). The above representations are annexed as appendices "J", "K" and "L".

During the year, a booklet entitled "The incidence of Super Profits tax and the computation of Managerial Remuneration" was published by the Institute. This proved to be very popular and a number of copies were sold.

A small booklet entitled "Taxation of Income of Public Charitable Trusts" was also published during the year.

Both the above publications were supplied free to the members of the Institute.

The Special Committee on training and examination set up by the Council of the Institute had recommended that Post Graduate Courses on various subjects should be started by the Institute to enable the members to specialise in any particular field. The Council having accepting this recommendation, it has been tentatively decided to start a Post Graduate Course in "Taxation". The Taxation committee has been asked to prepare a draft of the syllabi for the Course and the same is under active consideration of the Committee.

### E. RESEARCH COMMITTEE

The study of the subject "Implications of the Companies Act, 1956" has been finalised and will be published very shortly.

The first draft of the paper "Valuation of unquoted shares" has been completed and will be finalised and published soon.

Two projects on "Price Fixation" and "A comparative study of personal and corporate taxes in various countries" undertaken jointly with other bodies has reached an advanced stage and it is hoped that the studies on these subjects will be ready shortly.

The Council gratefully acknowledges the scholarship given by Shri S. N. Desai, a past President of the Institute and a member of the Central Council, of Rs. 1000/- per year for 20 years in memory of his father, Late Nanubhai V. Desai, to be given to persons carrying on research in Accountancy on a subject to be approved by the Research Committee of the Council.

The Council has also been informed by its representative on the All India Board of Technical Studies in Commerce that the Government of India have agreed to give a sum of Rs. 50,000/- to the Institute as grant-in-aid, for the conduct of research. A formal communication is awaited.

A research project on "Frauds detected by Chartered Accountants" has been undertaken by the Research Committee. Under this project, audited accounts of the public companies will be examined in the offices of the Registrars of Joint Stock Companies at Bombay, Calcutta, Madras and New Delhi and the qualifications given by the Auditors will be noted and published for the guidance of members. The requisite permission from the Registrars of Joint Stock Companies of the above four places has already been obtained and the necessary work has commenced.

A statement on "Recommendation as to the best practice of presentation of information in cases of non provision for taxation in spite of profits having been made in a year because of past losses" was issued by the Research Committee and was published in December 1963 issue of the Journal under the head "Accounting and Auditing Practices". The statement is reproduced at Appendix 'M'.

Notes on "Treatment in Accounts of Taxation and proposed Dividend" and "Maintenance of unduly heavy cash balances by companies" were issued by the Research Committee for the guidance of the members. These were published in March 1964 issue of the Institute's Journal. The notes are also reproduced at Appendix 'N'.

#### F. EXPERT ADVISORY COMMITTEE.

During the year, six queries were referred to the Committee. Out of these, four were answered and the rest of the queries were not considered suitable for being answered by the Committee. The answers to queries which were of general interest were printed in the Journal along with the queries for the information of the members.

#### G. COMMITTEE FOR ESTABLISHING LIAISON WITH THE UNIVERSITIES.

The Committee had appointed a sub-committee to study the syllabi, the quality of Faculties, the conditions on which candidates are declared successful at B. Com. and M. Com. examinations and allied matters in respect of some of the Universities and to report whether candidates pursuing the chartered accountants course could be exempted from some of the papers in the intermediate Examination of the Institute on the strength of their having passed the B. Com. or M. Com. examination of the universities whose standard comes upto the level expected by the Council. The sub-committee has submitted its report, which is under consideration.

It may also be mentioned that the All India Council for Technical Education has appointed a committee for the purpose of bringing the syllabi of B. Com. and M. Com. examinations of different universities at a uniform level.

#### H. POST GRADUATE COURSE COMMITTEE.

The activities of the Committee during the period were mainly concentrated on promoting the interest of the members on the subject of Management Accounting. Apart from holding an All India Seminar on Management Accounting at Bangalore, the Committee organised coaching classes for members on Management Accounting and published reports and booklet on important aspect of Management Accounting.

##### *Examination and Practical Training.*

- (a) The impact of rationalisation in the syllabus is apparent from the increase in the number of examinees. In May 1964, 8 members appeared in the examination. It is expected that the number will increase with the extension of the coaching facilities in important cities.
- (b) Fourteen Members are now engaged in Practical training in Management Accounting. To help them in the preparation of thesis, top executives from industries have been invited to act as their thesis guide.
- (c) A coaching class for the benefit of members intending to appear in the Management Accounting examination was organised in Calcutta in collaboration with the Calcutta Productivity Council—36 Participants attended the course.

*Publication & Reports*

- (a) The booklet on "Introduction of Management Accounting in medium size Industrial Unit" was published. The booklet will be of great assistance to the members. The booklet is a priced publication and is available from all the offices of the Regional Council.
- (b) A Research paper on "Bonus Formula and the Accountant" was published in the "Chartered Accountant" in October/November 1963 issue.
- (c) The report of the In-Country Team on Budgetary Control based on the current practices in important Industrial Units in Bombay and Calcutta was published in the March 1964 issue of "Chartered Accountant".

*Study Teams*

A Collaboration arrangement with the National Productivity Council to take a survey of Management Accounting practices in Medium and Small size undertakings has been finalised. According to the present arrangement the team will submit the report in October 1964.

*Courses on "Treasurership" and "Secretaryship and Management".*

On the recommendation of the Special Committee on Training and Examination the Post Graduate Course Committee has decided to start specialised course on "Treasurership" and "Secretaryship and Management". The syllabi of these courses will shortly be finalised.

**I. HISTORY OF THE PROFESSION**

The Accountancy Profession received statutory recognition for the first time under the Indian Companies Act, 1913, by a provision having been made that only accountants possessing certain qualifications and experience would be eligible to audit the accounts of companies. The profession has thus completed the first 50 years of its existence. To commemorate the occasion, the Council has decided to publish the History of the growth and development of the profession during this period. Shri G. P. Kapadia, the first President of the Institute, has undertaken this onerous task. A major portion of the material has been collected and supplied to Shri Kapadia. Efforts are being made to collect the relevant information and material from different sources.

**J. STATEMENT ON AUDITING PRACTICES**

Members of the Institute have from time to time expressed the need for the Institute to provide them with some guidance in the performance of their onerous duties and responsibilities having regard particularly to modern developments in auditing practices. To meet this demand, the Council has prepared the 'Statement on Auditing Practices' which has been distributed free of charge to members as part of the Member's Handbook. It is hoped that the Statement will provide the members with valuable guidance in the performance of their duties as auditors of companies efficiently and effectively in the context of the far-reaching changes in the economic field that are taking place in the country. The Statement has also been given wide publicity for the benefit of businessmen and others outside the profession who may be interested in this subject.

This Statement is not intended to be a substitute for the 'Guide to Company Audit', two editions of which were issued earlier by the Research Committee of the Institute. The Statement deals with some of the important practices requiring attention of the auditors.

The Research Committee will also publish very soon another document, 'Implications of the Companies Act, 1956'.

**K. RESOLUTION UNDER CLAUSE (4) OF PART I OF THE FIRST SCHEDULE**

According to clause (4) of Part I of the First Schedule to the Chartered Accountants Act, a Chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he—

"enters into partnership with any person other than a chartered accountant in practice or a person resident without India who but for his residence abroad would be entitled to be registered as a member

under clause (v) of sub-section (1) of section 4 or whose qualifications are recognised by the Central Government or the Council for the purpose of permitting such partnerships, provided that the chartered accountant shares in the fees or profits of the business of the partnership both within and without India."

Pursuant to the above clause, the Council has passed the following resolution:

"Resolved pursuant to the power conferred under clause (4) of Part I of the First Schedule to the Chartered Accountants Act, 1949, that the Council recognises membership of the following Bodies for the purpose of permitting partnerships by Indian Nationals abroad as are referred to in that clause:

The Institute of Chartered Accountants of India;  
The Institute of Chartered Accountants of Ceylon;  
The Institute of Chartered Accountants in England & Wales;  
The Institute of Chartered Accountants of Scotland;  
The Institute of Chartered Accountants in Ireland."

#### L. PROSECUTION OF PERSONS FOR CONTRAVENTION OF SECTION 24

It having come to the notice of the Council that a few unqualified persons have been masquerading as members of the Institute, sometimes by assuming even the names of members of the Institute, for the protection of the members and for upholding the reputation and dignity of the profession, prosecutions under Section 24 of the Chartered Accountants Act were initiated against the culprits. Conviction has already been secured against two of them. In one case the accused Shri L. N. Khanna was fined Rs. 150/- or in default undergo rigorous imprisonment for two months. In the second case the accused Shri M. K. Menon was fined Rs. 200/- or in default undergo simple imprisonment for one month.

#### M. JOURNAL OF THE INSTITUTE

In June 1964, the Journal completed the twelfth year of its existence. Dr. R. C. Cooper, President of the Institute, is the Editor-in-Chief.

During the year, a part-time Sub-Editor assisted the Editorial Board in the discharge of its responsibilities.

Recently, now a full time assistant has been appointed to the Editorial Board.

Steps are also being taken to improve the quality of the Journal by the publication of articles on a wide variety of subjects.

During the year, circulation of the Journal increased from 7,200 to 7,800 per month.

#### IX. OTHER MATTERS

##### A. HANDBOOK OF MEMBERS

To help the members to keep various important publications of the Institute in one place, the Council has issued free of charge to the members a binder to serve as their Handbook in which they could keep all the publications of the Institute. The first publication to be contained in the binder viz. "Statement on Auditing Practices" has already been published and supplied to the members. Further publications will follow from time to time.

##### B. CODIFIED CHARTERED ACCOUNTANTS REGULATIONS

The Chartered Accountants Regulations, introduced in 1949, having undergone numerous changes, it was felt that these should be codified with a view to simplify them and to rearrange them more logically.

For codifying the Regulations, assistance was taken from Shri A. N. Shah, I.C.S. (Retd.), who has considerable experience of this type of work. The Codified Regulations were published for comments in the July 1963 issue of the Journal. The comments received were very carefully considered and the codified regulations modified wherever necessary. Thereafter, the amendment were



referred to Government for approval, on receipt whereof the Regulations were brought into force with effect from 18th July 1964.

It may be mentioned that, in codifying the Regulations, the intention was not to vary or alter any Regulations, except where considered necessary for purposes of clarifying any concept or for improving its language. For the convenience of understanding the import of the Regulations, those which were considered lengthy were broken up by being sub-divided into sub-regulations and, at places, even into clauses. Suitable headings were provided wherever required.

It is proposed to print the Chartered Accountants Act alongwith the new Regulations and to supply copies thereof to members for being kept in their copies of the "Members' Handbook".

#### C. S. VAIDYANATH AIYAR MEMORIAL FUND

With a view to promote the growth and development of the profession, the objective for which the Fund was set up, during the year memorial lectures were organised, on various subjects of professional interest under the auspices of the Regional Councils as per details given below:

<i>Regional Council</i>	<i>S. No.</i>	<i>Subject and name of the Speaker</i>
Western India	1.	Taxation in a Development Economy— Dr. R. C. Cooper.
	2.	Taxation and Inflation— Prof. C. N. Vakil.
	3.	Taxation and Savings in India— Shri B. R. Shenoy.
	4.	Impact of Direct Taxes— Shri S. V. Ghatalia.
Northern India	1.	Audit of Public Enterprises— Shri A. K. Roy.
	2.	Concept of Public Interest in the Indian Company Law— Shri D. L. Mazumdar.
Southern India	1.	Some thoughts on Industrial Development in India— Shri H. B. Dhondy (Three lectures).
Eastern India	1.	Management of Corporate Capital— Shri A. K. Basak (Two lectures).

These lectures having proved very popular, it is proposed to continue this activity and to make it an annual feature of the professional developmental activities carried on by the Regional Councils.

Tuition fee of one poor student was paid to the Coaching Board out of the Fund.

The Managing Committee of the Fund accepted the offer of S. Vaidyanath Aiyar & Co., Chartered Accountants, New Delhi to institute two scholarships of Rs. 50.00 per mensem payable to two articled clerks while they are in service for a period of one year. The scholarships will be awarded annually. For the year 1964-65 the scholarships would be awarded to students residing in the territories comprised in the Northern India Regional Constituency on their taking up articled service with a member. It is, however, proposed that the scholarships will be rotated annually among the different regional constituencies one after the other.

#### D. CHARTERED ACCOUNTANTS' BENEVOLENT FUND

The Council sometime ago had set up a Benevolent Fund for the benefit of members in need of financial help and dependents of the deceased members.

Early in 1963, the Fund was registered under the Societies Registration Act, 1860, and all its assets and liabilities were transferred to the Society.

The total number of members on 31st March, 1964 was 109 against 101 members on 31st March, 1963. The total assets of the Fund were Rs. 7,580/- against Rs. 6,274/- in the previous year. The income of the Fund during the year 1963-64 was Rs. 3,726/- against the income of Rs. 2,731/- in the year 1962-63.

The Fund, during the period under review, received two applications for financial assistance from the dependents of two deceased members of the Institute which were accepted. A total disbursements on account of financial assistance amounted to Rs. 2,400/-.

It has been possible so far for the fund to meet whatever demands that have been made upon it since the demands have been few. But the situation is likely to undergo a change in a few years when it is expected that the membership of the Institute would increase and gradually the percentage of the old and aged among them would also rise. It is, therefore, necessary that the resources of the fund should be built up in order that the fund may be able to meet the increased demands made upon it from time to time. The Managing Committee has, therefore, decided that an appeal be made to the members to extend generously their help and co-operation, both by becoming members of Fund and by donating such amounts from time to time as they are able to spare.

#### E. ELECTIONS

The question of following the highest standards of professional propriety even in matters of elections of the Institute was considered by the Council at its meeting held in February 1964. The Council was unanimously of the view that just as members of the profession used considerable restraint and discipline in matters of getting professional work, they should also exercise similar restraint in matters of elections. Accordingly, a notification was issued on 22nd February 1964 restraining members from issuing manifestoes, circulars or canvassing for votes or entertaining the voters. Simultaneously, the President also issued an Appeal to all candidates and voters requesting them to conduct the elections with proper decorum and to follow the highest ethical standards. The notification and the Appeal are given in Appendix "O".

#### F. PUBLIC RELATIONS

In spite of the Council having always adhered to the highest standards of professional ethics and conduct, of late there has been a demand by a section of political opinion, including trade union leaders, for bringing the auditing profession under State Control. Some of the suggestions virtually amount to a demand for nationalisation of this highly independent and respected profession.

In order to put before the public the correct facts and to answer the criticism, the Council prepared a memorandum entitled "Chartered Accountants—some facts about the Profession" and circulated copies thereof among members of the Parliament, newspapers, trade unions, leading industrialists, etc.

The Chief Minister of Mysore, while inaugurating the Institute's Seminar on Management Accounting at Bangalore in February 1964 made certain allegations of professional impropriety against a member of the Institute. Similarly, the INTUC at one of its meetings made certain disparaging remarks against the ethical standards of members of the profession. Both the Chief Minister and the authorities of the INTUC were requested to substantiate their charges by furnishing facts and details and they were assured that prompt and appropriate action would be taken against members concerned, if the charges were proved. Nothing further has been heard from them in spite of reminders.

#### G. PUBLICITY TO FRAUDS DETECTED BY CHARTERED ACCOUNTANTS

Of late, there has been some criticism in certain quarters that Chartered Accountants are not discharging their duties properly and that in some cases they are even helping the management in evading taxes or committing other frauds. With a view to dispelling such misgivings in the public mind and to proving statistically that Chartered Accountants are exercising the utmost vigilance and independence in the discharge of their duties, the Council has decided to collect statistics and particulars of the qualified reports given by Chartered Accountants on the accounts of companies audited by them. Such information would, in the first instance, be collected from offices of Registrars of Companies at Bombay,

Calcutta, Madras and New Delhi. Approval of the Central Government has been obtained for inspection of the relevant records.

#### H. GRANT OF BOOKS FROM USAID

The authorities of the United States Agency for International Development (USAID) Mission in New Delhi were approached sometime back with a request for help and assistance for research and educational programmes of the Institute. They showed keen interest in the activities of the Institute and were very sympathetic towards the Institute's needs for latest publications on Accountancy and allied subjects. They have assured that all that is possible would be done in procuring the books from the United States, which would be given over free of charge.

#### I. PERIODICAL MEETINGS WITH REPRESENTATIVES OF THE FINANCE MINISTRY

The Hon'ble Minister for Finance, Government of India and the President of the Institute have both agreed that it would be desirable to hold quarterly top-level meetings between the officials of the Finance Ministry and the representatives of the Institute. The first of these meetings was held in July 1964. The Council hopes that these meetings would pave the way for better understanding between the viewpoints of the Government and those of the Institute on various matters.

#### X. FINANCES

(a) *Accounts*.—The Balance Sheet as at 31st March 1964 and the Income and Expenditure Account for the year ended on that date duly audited are appended hereto. The Income and Expenditure Account for the year shows an excess of expenditure over income amounting to Rs. 24,481-00 as against excess of income over expenditure amounting to Rs. 8,590 in the preceding year.

As required under Regulation 114 of Chartered Accountants Regulations 1964 the audited accounts of the Regional Councils have been incorporated in the accounts of the Central Council.

(b) *Auditors*.—Sarvashri P. R. Mehra and M. R. Venkataraman continued to act as Auditors for the year ended 31st March 1964.

#### XI. SECRETARY

Shri C. Balakrishnan took over charge as Secretary of the Institute with effect from 2nd December 1963, from Shri B. R. Malhotra who had been holding the post of Secretary in addition to his duties as Director of Studies till the 1st December 1963.

The Council wishes to place on record the very valuable services rendered to the Institute by Shri B. R. Malhotra, during the two years he held the dual posts of Secretary and Director of Studies, and the tremendous amount of effort he had put in while discharging his duties.

#### XII. APPRECIATION

The Council wishes to place on record its grateful thanks to the Government for its continued support and assistance.

The Council also wishes to place on record its appreciation of the good work done by the officers and staff during the year under report.

C. BALAKRISHNAN,  
Secretary.

RAGHU NATH RAI,  
Vice-President.

R. C. COOPER,  
President.

NEW DELHI;

The 15th September 1964.

APPENDIX "A"  
(Reference Section IIA of the Report)

Members	Members as on 1-4-63	Admissions in 1963-64			Net Total	Deductions in 1963-64					Members as on 31-3-64		
		Enrol- ments	Resto- rations	Total		Changes due to Fellow- ships	Deaths	Resig- nations	Non-pay- ment of fees	Mis-con- duct, etc.		Total	Net changes
A. Fellows in Practice . . .	1750	171 A/P	1	1922	..	1922	11	1	..	1	13	1909 (-)12	1897
B. Fellows not in Practice . .	108	7 A/N/P/	1	116	..	116	..	3	3	..	6	110 (+)12	122
C. Associates in Practice . . .	1961	412	2	2375	(-)171	2204	2	..	8	1	11	2193 (-)2	2191
D. Associates not in Practice . .	1699	181	5	1885	(-)7	1878	2	..	20	..	22	1856 (+)2	1858
TOTAL . . . . .	5518	771	9	6298	178	6120	15	4	31	2	52	6068	6068

Net Changes during the year

A.	Fellows not in practice became fellow in practice.	(-)12.
Do.	B. Fellows in practice became fellows not in practice.	(+)12.
Do.	C. Associates not in practice became Associates in practice.	(-)2.
Do.	D. Associates in practice became Associates not in practice	(+)2.

## APPENDIX 'B'

(Reference Section II F of the Report)

## DISCIPLINARY ACTION: MEMBERS

## FINDINGS OF THE COUNCIL

*Temporary Removal from Membership*

A member was found guilty of gross negligence in the discharge of his professional duties under clause (7) of Part I of the Second Schedule to the Chartered Accountants Act in not having discharged the duties cast on him by the Indian Companies Act and not having exercised reasonable care and skill as was required by the generally accepted audit procedure. Thereupon the Council had recommended to the High Court that his name be removed for a period of two years from the Register of Members. The High Court, however, ordered removal of his name for a period of one year only.

*Reprimand*

A member was found guilty of gross negligence in the discharge of his professional duties under clause (7) of Part I of the Second Schedule to the Chartered Accountants Act in having signed the accounts of an Educational Institution "subject to separate notes" in March 1961 and not submitting these notes till 20th July 1961. The Council had recommended to the High Court that he be reprimanded. The High Court accepting the reference reprimanded the member.

*Member Acquitted by the High Court*

In one case the Council having found the member guilty of professional misconduct under the latter part of clause (8) of Part I of the Second Schedule to the Chartered Accountants Act had recommended to the High Court that he be reprimanded. The charge against the member was that he gave a report placing reliance on the work of the internal auditor of the company in the examination of the books of accounts and supporting vouchers and making it expressly clear in his report. The High Court observed that if there was no misconduct involved in his basing his report to a great extent on the working of another practising accountant, it was difficult to see how there could be any misconduct involved in his mentioning this fact in his report. The High Court held that no misconduct had been established on the part of the member.

In one case in which the Council had given the finding that the member was not guilty of professional or other misconduct, the Central Government filed a revision petition under Section 22A(2). This petition, was, however, dismissed by the High Court.

In one of the cases reported last time where the member found guilty by the Council was acquitted by the High Court, the Council has filed an appeal against the order of the High Court. The appeal is pending with the Supreme Court.

## APPENDIX 'C'

(Reference Section II L of the Report).

*List of Members whose names were removed on account of Death during the Year 1963-64.*

Name	Membership No.
1. Bhagat, Desraj Rochiram . . . . .	1993
2. Captain, Dara Hormusji . . . . .	1369
3. Day, Birendra Kumar . . . . .	537
4. Gopalakrishnan, Pallavaram Swaminadhba . . . . .	1106
5. Govindaraj, Srinivasa . . . . .	1670
6. Kameswara Rao, Dronamraju . . . . .	103

Name	Membership No.
7. Kulkarni, Datto Bhaurao . . . . .	400
8. Mankad, Harischandra Chunilal . . . . .	5647
9. Mukherjee, Bhupendra Narayan . . . . .	245
10. Nandkarni, Dattatraya Narsingrao . . . . .	5012
11. Natesan, Gopalakrishna Iyer . . . . .	116
12. Patil, Shantilal Maganlal . . . . .	887
13. Sur, Purnanka Mohan . . . . .	419
14. Varma, Kerala . . . . .	367
15. Viji, V.S. . . . .	1146
16. Whatmore, Walter Roland Tracy . . . . .	1361
17. Wilson, Ian Birrell . . . . .	481

APPENDIX "D"

(Reference Section IIIA of the Report)

Particular of Examination	1962-63		1963-64					
	Number of candidates who appeared	Number of candidates passed	Number of candidates who appeared	Number of candidates passed				
PRELIMINARY EXAMINATION . . . . .	114	38	168	53				
INTERMEDIATE EXAMINATION . . . . .	1883	691	2067	698				
FINAL EXAMINATION :								
	No. of candidates appeared in Both Grs.	No. of candidates passed in Both Groups	No. of candidates who passed in Group I only	Passed in Group II	No. of candidates who appeared in Group only	No. of candidates passed	No. of candidates who appeared in Group II only	No. of candidates passed
1962-63 . . . . .	604	100	80	161	1300	307	811	279
1963-64 . . . . .	774	219	132	187	1492	494	1009	390

## APPENDIX "E"

(Reference Section IIIB of the Report).

## FINAL EXAMINATION

	May 1963	November 1963
1. G.P. Kapadia, (First President) Gold Medal . Gopal Mohan		Sivasubramaniam Krishnan.
2. The N.M. Shah Prize (Value Rs. 200/-) for the best paper on Taxation.	R.C. Sogani	B.R. Kapadia
3. The A.F. Ferguson, Cash Prize of Rs. 200/- for the best paper on Auditing.	Y.G. Upadhye & Gopal Mohan	B.R. Kapadia.
4. Miss. R. Sivabhogam, Prize in the form of Gold Locket of the value of Rs. 100/-	..	Miss. K.J. Damania
5. The Sir Shapoorji Billimoria Prize (Value Rs. 200/-) for the best paper on Accountancy.	..	M.G. Palkar.
6. Certificates of Merit :		
1st Rank Certificate . . . .	Gopal Mohan	Sivasubramaniam Krishnan.
2nd Rank Certificate . . . .	R.C. Sogani	B.R. Kapadia
3rd Rank Certificate . . . .	S.S. Mehendale	M.G. Palkar
<i>Intermediate Examination.</i>		
1. The G.P. Kapadia, (First President) Silver Medal	F.M. Deboo	T.R. Srinivasa
2. Certificates of Merit :		
1st Rank Certificate . . . .	F.M. Deboo	T.R. Srinivasa
2nd Rank Certificate . . . .	J.P. Jain	Dinesh Mishra & K.P. Choudhary
3rd Rank Certificate . . . .	M.P. Jain	Chinmay Das



APPENDIX "F"  
(Reference Section III D of the Report)

Number of students enrolled by the Coaching Board										
Intermediate						Final				
Compulsory			Optional			Compulsory		Optional		
						Group I		Group II		
Number of students continuing tuition on 1st April, 1963	(2245)	2825	(8)	8	(1052)	1235	(1033)	1164	(76)	46
Enrolled during 1963-64	(1404)	1788	(8)	4	(636)	678	(636)	678	(46)	19
		4613		12		1913		1842		65
Number of students who had completed tuition including 90 students who discontinued tuition during the year	(832)	969	(8)	8	(453)	*764	(505)	*648	(76)	46
		3644		4		1149		1194		19
*Both Groups	(216)	303								
Group I	(237)	461								
Group II	(289)	345								

The comparative figures for the previous year are shown in brackets.

## APPENDIX 'G'

(Reference Section VIII B of the Report)

## SUMMARY OF THE DECISIONS OF THE COUNCIL IN RESPECT OF THE RECOMMENDATIONS OF THE SPECIAL COMMITTEE

I. *Courses of Study*

1. The importance of training candidates in Management Accounting was recognised and it was decided to give publicity to the Institute's Post-Graduate Course in Management Accounting. (Chapter 2—Conclusion).

2. As the syllabi for the examinations have been revised only recently, it was not considered necessary to examine once again the syllabi of the various educational institutions for effecting any modifications. (Chapter 3—Paragraph 2).

3. Starting of a course in Industrial Accounting for training accountants in industry and setting up a separate class of diplomaed accountants was not favoured as the demand for an intermediary level of accountants could be adequately met by the B.Coms. (Chapter 5).

4. The Examination Committee was required to consider the advantages of introducing study of "Industrial Management" as a subject in the syllabus for the Intermediate Examination of the Institute. (Chapter 6).

5. The admission of S.S.L.C. Students with certain prescribed qualification to the Preliminary Examination was not favoured. [Chapter 3—Conclusion (vii)].

II. *Remission in the duration of training*

1. A remission of one year in the total period of service under articles be given in the case of:

- (i) B.Com. Graduates who have offered Accounting and Auditing as special subjects and have secured not less than 50 per cent marks in the degree examination in the first attempt;
- (ii) M.Coms. who have secured not less than 50 per cent marks in the Master's degree examination in the first attempt; and had offered Accounting and Auditing as their subjects for their B.Com. Examination;
- (iii) Other Graduates who have secured not less than 60 per cent marks in their degree examination in the first attempt [Chapter 3—Conclusion (i)]; and
- (iv) Persons who have passed the National Diploma in Commerce Examination with Accountancy and Auditing as subjects and have secured not less than 50 per cent marks in the first attempt.

2. The period of training in the case of audit clerks should be reduced from 8 years to 6 years and candidates satisfying the above conditions of educational qualification, should be given a remission of one year in the total period of service. [Chapter 3—Conclusion (viii)].

3. The benefit of remission of one year in the period of training should be given even to the existing articulated and audit clerks.

III. *Exemption from Examination*

The question of granting exemption from the Intermediate Examination to graduates in Commerce of certain selected Universities satisfying the objective tests prescribed, was left to be looked into by the Committee set up for establishing liaison with Universities. (Chapter 3—Paragraph 3).

IV. *Facilities for trainees*

1. The Examination Committee was required to collect information regarding the training facilities, in general, available with some of the members so as to help the Council to develop some objective criteria in the matter of permitting members to training additional clerks. [Chapter 3—Conclusion (iii)].

2. (i) A member or a firm may be permitted to admit one additional clerk for each qualified assistant employed whether or not such member-employee has held a certificate of practice for 3 years, provided the employer-member, or one of the partners of the firm, as the case may be, is entitled to train articled clerks. If such a member-employee leaves the service, the clerk can continue in service provided the vacancy is filled up by the employer-member within a period of 3 months.

(ii) An associate practising in partnership with a chartered accountant entitled to train articled clerk or a firm of chartered accountants whereof at least one of the partners is entitled to train articled clerk, shall also be entitled to train one articled clerk. (Chapter 3—Paragraph 3).

3. The system of premia payment should be abolished. [Chapter 3—Conclusion (v)].

4. The members should be requested to pay stipends to articled clerks. [Chapter 3—Conclusion (iv)].

5. The Institute should explore the possibilities of arranging hostel facilities for the students, to begin with, in important towns in the country. [Chapter 3—Conclusion (vi)].

6. The period of leave to which an articled clerk is entitled should be reduced from one-sixth to one-eighth maintaining, at the same time, the number of working hours per week at 35, as at present. In the case of audit clerks also, the period of leave should be reduced from one-sixth to one-eighth. [Chapter 3—Conclusion (ii)].

#### V. Industrial Training

1. The Institute should ascertain opportunities available for industrial training with the various industrial units in the country and give publicity to its findings through the Regional Councils. [Chapter 4—Conclusion (d)].

2. An articled clerk or audit clerk may be permitted to undergo industrial training for one year in the last year of his practical training. However, a person who has been granted a remission of one year in the total period of training on the basis of his academic attainments, may be allowed to undergo industrial training only for six months. [Chapter 4—Conclusion (a)].

3. When an articled or audit clerk opts for industrial training, his service should be deemed to be terminated for the purpose of creating a vacancy in the office of his previous employer. [Chapter 4—Conclusion (b)].

4. A candidate choosing to take industrial training should enter into an agreement with a chartered accountant employed in industry, who will be responsible for training and will issue a certificate at the end of the period. Such member should have been enrolled on the Institute's Register at least three years before the date of commencement of the training. [Chapter 4—Conclusion (c)].

#### VI. General

With regard to the miscellaneous suggestions, they were to be considered by the respective committees of the Council. (Chapter 7).

#### APPENDIX 'H'

(Reference Section VIII C of the Report)

#### AMENDMENTS TO THE COMPANIES ACT

*The following are the submissions to the Government of India by the Institute of Chartered Accountants of India on further amendments to the Companies Act.*

The Council of the Institute understands from statements made in Parliament that the Government has under active consideration amendments to the Companies Act 1956 occasioned mainly by the recommendations of the Vivian Bose Enquiry Commission and the report of Messrs. Daphtary and Sastri on the Commission's findings. The Council considers that it would be falling in its duty not only to its members but also to the public at large if it did not offer its view on this matter to the Government.

The Council submits that, while the investigations by the Vivian Bose Commission have revealed a distressing lack of integrity and responsibility on the part of the management of the companies concerned, the results of the inquiry do not warrant the conclusion that such cases of mismanagement are widely prevalent in this country. On the contrary, there is every reason to believe that the vast majority of companies in India are administered honestly and efficiently. The Council agrees with the Bose Commission's remarks, following upon the views of the Jenkins Committee, that while the activities of the companies and those responsible for their management must necessarily be subjected to a certain degree of statutory control, such control should not be carried to excess lest it defeat its own object. The Commission has recognised the undesirability of imposing restrictions which would hamper the activities of honest business men, and the importance of not placing unreasonable restrictions on their activities with a view to preventing mismanagement by a minority of individuals.

#### ADMINISTRATIVE CONTROL

The Council is of the view that there has perhaps been too much of emphasis on improvement by frequent amendments to legislation and by the exercise of administrative control. There are very real limits to what can be and indeed what should be attempted to be done by these methods. The need to strike a balance between prevention of mismanagement and hampering honest management has assumed great urgency. Adequate differentiation has also not been made between the scope and the extent of the regulatory provisions for public companies as opposed to small "family" private companies either in the statute or in its administration.

Keeping in view the above objects, the Institute submits for the consideration of the Government the following suggestions for the amendment of the Companies Act in the hope that their adoption will facilitate and achieve the object of company legislation in this country, viz., to promote sound and healthy commercial practices in the administration of companies. In making these submissions, the Institute has had the benefit of the Recommendations made by the Company Law Committee (Jenkins Committee) which has recently considered similar legislation in the U.K. The Institute is pleased to observe that several of the recommendations of the Jenkins Committee which are considered far-reaching in the U.K. have already been adopted in the statute in this country and have, therefore, refrained from making any reference to such recommendations. We have also taken into account the special conditions prevalent in India in making these recommendations.

We make the following submissions under the heads stated hereunder:

#### 1. DISTRIBUTION OF PROFITS

(a) The unrealised surplus arising out of revaluation of fixed assets should not be directly or indirectly available for distribution as dividend. An indirect distribution would arise if a loss on Profit and Loss Account, or an amount otherwise chargeable against profits, is debited to such an account.

(b) While Section 205 has dealt with this matter to some extent we feel that the statute should provide that past revenue losses inclusive of depreciation should be written off either from free reserves or profits of subsequent years before such profits (of subsequent years) are distributable; thus the revenue account of a company should be regarded as a continuous account.

(c) Pre-acquisition profits attributable to any share in another company should not be available for distribution as profits of the acquiring company.

To the above general rule there should be an exception to meet the following case of hardship. A newly-formed company which has acquired 90% or more of the equity share Capital of one or more other companies should be permitted to treat as distributable profits all or any part of the dividend received by it out of the pre-acquisition profits of the acquired companies. This should be permitted with the sanction of the Court.

#### 2. FORM OF ACCOUNTS

(a) It is respectfully submitted that the existence of a statutory form in which the Balance Sheet may be presented has hindered the development of new techniques of presentation by companies in this country. The Institute feels that this country has lagged behind other countries in the manner and mode of disclosure of accounts despite the fact that the law in this country is well ahead of other countries in requiring full and complete disclosure. At the

same time, the Institute recognises that the existence of a prescribed form is of assistance to many small companies who may not be skilled in modern techniques of presentation. The Institute is aware that the Company Law Administration prepared to grant approval to presentation of accounts in different forms but in view of the delay, time and effort which this may involve, very few companies in practice have approached the Department for a special form. The Institute, therefore, earnestly requests Government that while retaining the present statutory form of Balance Sheet, the law should permit a company to present its Balance Sheet in any form provided it gives all the information required which may be prescribed in a separate schedule. Companies will, therefore, have the alternative of adopting the statutory form of Balance Sheet or giving the information required by law in any other form. With a view to doing this, we enclose Appendix 'A' which gives the draft of a schedule which may be inserted in Schedule VI as an alternative to the statutory form contained in Part I of the Schedule.

(b) The following submissions are made regarding the additional matters of disclosure which have been incorporated in the draft Schedule referred to above:

(i) The requirement to show separately (a) the issued and (b) the subscribed capital presents some difficulty as, according to legal authorities, (including Palmer's "Company Precedents"), the word "issued" has to be interpreted as meaning in effect, "Issued, subscribed for and allotted".

(ii) *Fixed Assets*: In addition to the information required to be disclosed at present in the case of revaluation of fixed assets, the company should be required to disclose further, the name of the person by whom the valuation has been carried out and to state the basis on which such valuation has been arrived at. This information should be disclosed in the Balance Sheets of three years next following the revaluation.

(iii) The Balance Sheet should show separately the figures for leaseholds, distinguishing between short-term leases and long-term leases and freeholds. A short-term lease should be defined as one which has less than twenty-five years to run from the Balance Sheet date. A provision should be made for cases where it is not clear whether the tenure of the land is freehold or leasehold.

(iv) The existing distinction between Trade and Other Investments should be discontinued. However, the company should be required to distinguish between Investments held as fixed assets and those held as current assets. In the case of Investments which are not quoted on the Stock Exchange, the directors of the company should be required to give their own estimate of the aggregate realisable value of such Investments.

(v) *Liabilities*: It is desirable that a distinction should be made on the liabilities side between liabilities which are current liabilities and those which are long term liabilities. The present form of Balance Sheet does not make such distinction except that the form provides for short-term loans and advances to be shown separately under unsecured loans. The result is that items appearing as "Current" liabilities may not be repayable immediately, while items appearing as Loans may include debts which are due for repayment immediately. For example, at present long-term liabilities for deferred payment for purchase of machinery are shown under "Current Liabilities and Provisions". For this purpose, a current liability should be defined as one which is repayable by the terms of the contract within a period of twelve months from the date of the Balance Sheet.

(vi) *Investments*: In addition to the information required to be disclosed at present the company should state in each case the ratio, expressed as a percentage, which its own holding in any other company bears to the total capital of that company. This should however, apply only where the holding exceeds ten per cent.

(vii) *Profit and Loss Account*: (a) The company should be required to distinguish in its Profit & Loss Account between income from quoted and unquoted investments instead of being required to distinguish between income from trade and other investments.

(b) Provisions should be made in the law under which the company should be required to disclose any special circumstances materially affecting its current and future liability to tax, e.g., carry forward of loss, allowances for development rebate etc.

(c) The Council further recommends that the requirement as regards disclosure of detailed information in the Profit and Loss Account contained in—

Paragraph	3	Clause	(iii)					
"	"	"	(v)					
"	"	"	(x)	(c),	(d),	(e),	(g)	(h)
				and	(i)			
"	"	"	(xi)	(t)	and	(c)		
"	"	"	(xii)	(c),	and			
"		4A						

should be deleted, as this information is not material and tends to clutter up the Profit and Loss Account.

### 3. AUDITORS

(a) Section 225(2) of the Act should be amended to require that special notice of resolution referred to in sub-section (1) of that Section should also be sent to any auditor who is proposed to be appointed by such resolution.

(b) The Act should expressly declare that any auditor can resign during the term of his office.

### 4. MANNER OF COMPUTING NET PROFITS

The effect of Section 199 read with Sections 309 and 388A is that while a payment to a Director of a Private Company (which is not the subsidiary of a public company) is not required to be computed in accordance with the formula laid down in Sections 349, 350 and 351, the share of profit paid to an employee of such a company must be computed in accordance with the formula. It is suggested that Section 199 should be amended so as to exclude an employee of a private company, which is not the subsidiary of a public company, from the application of the formula laid down in Sections 349, 350 and 351.

Arising out of the recommendations made by the Commission of Inquiry on the administration of Dalmia Jain Companies, the Institute submits the following further recommendations:

### 5. OBJECTS CLAUSE OF THE MEMORANDUM OF ASSOCIATION

We respectfully concur with the recommendations made by the Commission on the above subject. We do not agree with the further suggestion made by the Daphtary-Sastri Report, that the Controller of Capital Issue should be kept informed about the changes in the activities of the company. The function of the Controller of Capital Issues is to regulate the capital structure of the company, while the regulatory authority, so far vested in the erstwhile Department of Company Law Administration, is concerned with the administration and control of companies. The existing law provides that the copy of any such resolution which may be passed as recommended by the Bose Commission should be filed with the Registrar of Companies and we consider that this is adequate.

As regards the names with which companies are being incorporated, the Registrars of Companies are already exercising the requisite powers under administrative instructions and we do not think that the present arrangement needs to be disturbed.

### 6. UNDERWRITING COMMISSION

The Institute respectfully concurs with the recommendations of the Bose Commission. We interpret the Commission's recommendations in paragraph 10(1) as meaning that only the shares actually forming part of the public issue, (i.e., excluding shares allotted 'firm' to the Directors, their friends and other institutions) should be the subject matter of underwriting commission.

### 7. ISSUE & ALLOTMENT OF SHARES IN THE NAMES OF FICTITIOUS PERSONS

The Institute respectfully concurs with the recommendations of the Bose Commission, but would suggest that protection should be afforded to a person who has sold his shares on the Stock Exchange through brokers and has signed a

blank transfer deed. Such a person should not be considered as having induced a company to allot shares in a fictitious name if the ultimate buyer of the shares, whom the seller does not know, eventually fills in a fictitious name before lodging the shares for transfer.

#### 8. HOLDING OF SHARES ON BLANK TRANSFERS

The Institute respectfully concurs with the recommendations of the Bose Commission. In order to enforce the recommendation made in paragraph 19(3) of the Commission's Report, it is suggested that the regulations applicable to the stock exchange clearing houses should be suitably amended to ensure that all shares lodged in the clearing house are accompanied by transfer deeds which are dated and whose validity would extend for a period of six months from such date. This will ensure that at least in respect of shares cleared through clearing houses, which will represent the bulk of the share, the transactions will be the subject matter of control.

#### 9. DUMMY DIRECTORS

The Institute respectfully concurs with the suggestions of the Bose Commission. As regards the Commission's recommendation in paragraph 25, it is suggested that in the case of Alternate Directors acting for persons normally residing outside India, the information regarding the number of meetings attended should be given in respect of the Alternate Director instead of the Substantive Director.

#### 10. LOANS TO COMPANIES UNDER THE SAME MANAGEMENT

The Institute respectfully concurs with the Bose Commission's recommendations, but has the following observations to make:

In the course of business, it is frequently essential to give advances or loans to other companies out of business necessity as for example, advance payments for purchase of machinery, fixed assets, etc., advances to important supplies of raw materials, or important customers for use of products sold by the company. It is, therefore, important to ensure that the legal provisions are not so drafted as to restrict legitimate business activity, while at the same time safeguarding the interest of the shareholders. As an alternative to the recommendations of the Commission, we would suggest the following for Government's consideration:

The law should provide that no loans may be made except where this is necessitated by the business requirements of the company. The directors may be required to attach to their report a statement of loans made during the year, whether outstanding at the end of the year or not, and this should be required to be subsequently approved by the shareholders at each annual general meeting until such time as they have been fully repaid.

While the Institute is aware that the provisions of the law can perhaps be evaded by describing loans as deposits, it is felt that no adequate definition of a loan can be given which would ensure that legitimate business transactions are not interfered with.

#### 11. THE APPOINTMENT AND TERMINATION OF SOLE SELLING AGENTS POWER—AND OBLIGATION TO OBTAIN SHARES OF DISSENTING SHAREHOLDERS

#### 12. LIQUIDATION

##### RECOVERING OF TAX ON INCOME OF COMPANIES IN LIQUIDATION

##### DESTRUCTION OF BOOKS OF ACCOUNT

#### 13. PROHIBITION OF ALLOTMENT UNTIL RECEIPT OF MINIMUM SUBSCRIPTION

The Institute respectfully concurs with the recommendations of the Bose Commission under the above headings.

#### 14. THE INSTITUTE HAS THE FOLLOWING FURTHER OBSERVATIONS TO MAKE REGARDING THE DAPHTARY-SASTRI REPORT

Under the heading "Audit and Auditors" the learned authors of the report have stated what they consider to be the duties and obligations of the Auditors. The Council is in respectful agreement with the observations of the learned jurists in so far as they emphasise the need for an objective and independent audit performed with skill and vigilance and with scrupulous care. Nobody will question that an auditor in the performance of his duties must show genuine independence and "not

bring loss to the members of the public by his complicity with the directors or persons in control of the company's affairs. However it is important to note that during 1961-62 and 1962-63 only 3 and 7 complaints respectively considered by the Council under its jurisdiction related to charges arising out of members functioning as company auditors and the Institute has yet to come across a case where auditors of public companies have been charged with fraudulent collusion with the management. It should be pointed out that during the period of its existence, the Institute has faithfully and scrupulously enforced the highest standards of professional conduct. All cases involving professional misconduct which have come to the attention of the Institute have been investigated by the Council or its Disciplinary Committee and action taken in accordance with the law.

The learned Jurists have suggested that the Council of the Institute "should be called upon to formulate a Code in regard to the audit of the accounts of public companies, with special reference to safeguarding the interest of members of the public who have put their faith in the Board of Directors and contributed to the share capital". At its last meeting held on 14/15th September, 1963, the Council has decided to implement this suggestion for the guidance of its members, particularly the junior ones, by the issue of "Statements of Auditing Principles", which will act as a 'Code' to its members to be followed in the course of their audit work. It will be readily appreciated that the circumstances of companies differ enormously, and it would not be practicable to lay down audit programmes in a Code any more than it would be possible to do so in an Act of Parliament. It may be emphasised that it is not practicable to lay down detailed audit procedures which will apply over the whole range of several thousand companies carrying on the vast variety of businesses. However, as stated above, the Institute is engaged on producing on a broad basis, statements on auditing principles which will be of considerable guidance to our members. The objective is to focus the attention of our members to the best practices prevailing in this country and the modern trends in other countries. A small committee is at present going through this matter and its suggestions will be placed before the Council at its next meeting to be held on 21st November, 1963.

It is pertinent to point out at this stage that the Council of the Institute recommended on 5th October, 1959, to the Department of Company Law Administration that certain additional information should be called for from companies, which would form part of statements of accounts submitted to the share-holders, and which would give additional information, particularly in regard to inter-company investments, loans and various other items. To the best of our knowledge, this recommendation of the Council has not yet been acted upon.

The Council is in full agreement with the Government's view that adequate disclosure of the activities of the company should be made to its members and, in order to further this objective, the Council is always prepared to consider making further recommendations to its members, in consultation with the Government, regarding disclosure of further information which may be material to the evaluation of a company by its share-holders.

#### APPENDIX 'A'

##### *Schedule VI—Part I-A*

#### GENERAL PROVISIONS AS TO BALANCE SHEET

1. The authorised share capital and subscribed share capital shall be shown, distinguishing between the various classes of shares and giving the following particulars in respect thereof:

- (a) The total number and face value per share of each class of shares and the respective amounts paid up thereon.
- (b) Whether the shares are allotted for consideration received in cash or for consideration other than cash.
- (c) Particulars of the shares allotted as bonus shares, specifying the source from which the bonus shares were issued, e.g., capitalisation of profits, or reserves, or from share premium account.

(d) Amount of calls unpaid, showing separately calls unpaid—

- (i) by managing agents or secretaries and treasurers and, where the managing agents or secretaries and treasurers are a firm, by the partners thereof and where the managing agents or secretaries and treasurers are a private company, by the directors and/or members of that company.



- (ii) by directors.
- (iii) by others.
- (e) In the case of Redeemable Preference Shares, the terms of redemption or conversion, together with the earliest date of redemption or conversion.
- (f) Particulars of any option to subscribe for share capital.
- (g) Amount received on shares forfeited.

**Note:** Any capital profit on reissue of forfeited shares should be treated as a capital reserve.

2. The amount of the Share Premium Account shall be shown, including details of its utilisation in accordance with Section 78 in the year of utilisation.

3. The Reserves of the Company shall be classified under heads appropriate to the company's business, and the following particulars shall be given:

- (a) A distinction should be made between capital reserves and revenue reserves.
- (b) Amount of Capital Redemption Reserve.
- (c) Particulars regarding additions and deductions since the last Balance Sheet in respect of each Reserve.

**Notes:**

- (1) The debit balance on Profit & Loss Account shall be shown as a deduction from revenue reserves.
- (2) The word 'Fund' in relation to any reserve should be used only where such reserve is specifically represented by earmarked investments.

4. The amount of the company's liabilities shall be shown classified under heads appropriate to the company's business and distinguishing between current liabilities and long term liabilities and showing separately the following:

- (a) Debentures.
- (b) Loans and Advances from Banks.
- (c) Loans and Advances from Subsidiary Companies.

**Notes:**

- (1) In each case, distinction should be made between items which are secured and items which are unsecured, and the nature of the security if any, should be specified. In the case of debentures, the terms of redemption or conversion, if any, shall be stated, together with the earliest date of redemption or conversion.
- (2) Particulars of any redeemed debentures which the company has power to re-issue shall be given.
- (3) Where any of the company's debentures are held by a nominee or a trustee for the company, the nominal amount of the debentures and the amount at which they are stated in the books of the company shall be stated.
- (4) Interest accrued and due on loans need not be specified and may be included under the appropriate headings.
- (5) Loans from directors, managing agents, secretaries and treasurers and managers should be shown separately.
- (6) Where loans have been guaranteed by any of the directors, managing agents, secretaries and treasurers or managers mention shall be made of such guarantees and also of the aggregate amount of such loan under each head.
- (d) Acceptances.
- (e) Sundry Creditors.
- (f) Amount owing to Subsidiary Companies, other than Loans and Advances.
- (g) Advance Payments, for the portion for which value has still to be given (as in the case of newspapers, Theatres, Clubs and Steamship Companies).
- (h) Unclaimed Dividends.
- (i) Provision for Taxation.
- (j) Proposed Dividends.

- (k) Provision for Contingencies.
- (l) Provision for Provident Fund Scheme.
- (m) Provision for Insurance, Bonus and similar other Benefits Schemes for Employees.

*Note:* For the purpose of this Schedule, "Current liabilities" mean liabilities which the company would normally pay within a period of one year from the date of the Balance Sheet and include liabilities payable on demand. "Long term liabilities" are those which are not "current liabilities".

5. The amount of the company's Contingent Liabilities shall be shown classified under suitable heads and in particular the following shall be shown:

- (a) Claims against the company not acknowledged as debts.
- (b) Uncalled liabilities on partly paid shares.
- (c) Arrears of fixed cumulative dividends giving separate particulars for each class of shares and the period for which dividends are in arrears. The amount shall be stated before deduction of income-tax.
- (d) Guarantees given by the company on behalf of directors or other officers of the company, giving the general nature and the amount of each such guarantee, if material.

6. The estimated amount of contracts for capital expenditure not provided for shall be stated.

7. The assets of the company shall be classified under headings appropriate to the company's business and in particular distinguishing between fixed assets, investments and current assets. Assets other than fixed assets, investments and current assets shall, if material be separately specified, giving sufficient particulars to disclose the nature of the asset.

8. Fixed Assets shall be classified under headings appropriate to the company's business, and in particular there shall be shown separately so far as practicable assets falling under the following heads, if material:—

- (a) Goodwill.
- (b) Leasehold Land, distinguishing as far as possible between short-term leases and long-term leases.
- (c) Freehold Land.
- (d) Buildings.
- (e) Plant & Machinery.
- (f) Furniture & Fittings.
- (g) Patents, Trade Marks and Designs.
- (h) Vehicles.

*Notes:*

- (1) Under each head the original cost and the additions thereto and the deductions therefrom during the year shall be stated and the total depreciation written off or provided up to the end of the year shall also be stated.
- (2) In every case where the original cost cannot be ascertained without unreasonable expense or delay the valuation shown by the books shall be given. For the purpose of this paragraph, such valuation shall be the net amount at which an asset stood in the company's books at the commencement of this Act, after deduction of the amounts previously provided or written off for depreciation or diminution in value, and where any such asset is sold, the amount of sales proceeds may be shown as deduction.
- (3) Where sums have been written off on a reduction of capital or a revaluation of assets, every balance sheet (after the first balance sheet) subsequent to the reduction or revaluation shall show the reduced figures (with the date of the reduction) in place of the original cost. Each balance sheet for the first five years subsequent to the date of reduction shall show also the total amount of the reduction made. Similarly, where sums have been added by writing up the assets, every balance sheet subsequent to such writing up shall show the increased figures (with the date of the increase) in place of the

original cost. Each Balance Sheet for the first five years subsequent to the date of writing up shall also show the total amount of the increase made.

- (4) Where a revaluation of assets has been carried out, the name of the person or persons by whom such revaluation was carried out and the basis on which such revaluation has been carried out shall be shown in every Balance Sheet as at a date falling within the three years next following the date of such revaluation.

- (5) For the purpose of this Schedule, a short-term lease is one which has less than twenty-five years to run from the date as at which the Balance Sheet is made up.

9. The investments of the company shall be shown classified under the following headings:—

- (a) Government or Trustee securities.
- (b) Investments in shares, debentures or bonds of subsidiary companies, the total amount in respect of each.
- (c) Investment in shares, debentures or bonds of other companies, the total amount in respect of each.
- (d) Immovable Property.

Notes:

- (1) In each case a distinction shall be made between class of shares which shall be separately shown.
- (2) The mode of valuation of investments (e.g., "at cost", or "at market value") shall be stated.
- (3) The aggregate amount of the company's quoted investments and the market value thereof shall be stated.
- (4) The aggregate amount of the company's unquoted investments shall also be stated, together with an estimate by the directors of the realisable value of such investments.
- (5) A statement of investments (wheresoever shown in the Balance Sheet) separately classifying quoted investments and unquoted investments, shall be annexed to the balance sheet. This statement shall give the names of the bodies corporate in whose shares or debentures investments have been made (including all investments whether existing or not, made subsequent to the date as at which the previous balance sheet was made out), and the nature and extent of the investments so made in each such body corporate. The statement shall indicate separately those bodies corporate which are in the same group as the company and shall give the names of the managing agents or secretaries and treasurers, if any, of every body corporate. However, in the case of an investment company, (that is to say, a company whose principal business is the acquisition of shares, stock debentures or other securities), the statement shall show only the investments existing on the date as at which the balance sheet is made out. Further, it shall not be necessary to give in the statement any particulars in respect of investments made by the Company in other companies whose managing agents or secretaries and treasurers it is.
- (6) The Statement under (5) above shall include the ratio, expressed as a percentage, which the company's holding in another company bears to the total capital of that other company. This ratio need not be disclosed when it is less than ten per cent.

10. The amount of the company's current assets shall be shown classified under headings appropriate to the company's business and in particular the following shall be separately shown:—

- (a) Stock-in-trade showing Raw Materials and Work-in-Progress separately where practicable.
- (b) Stores & Spare Parts.
- (c) Loose Tools.
- (d) Sundry Debtors.

- (e) Cash and Cheques on hand.
- (f) Balances with Scheduled Banks.
- (g) Balances with other Banks.
- (h) Advances and Loans to Subsidiary Companies.
- (i) Bills of Exchange receivable.
- (j) Advances Recoverable in cash or in kind or for value to be received.
- (k) Balances on Current Accounts with Managing Agents or secretaries and treasurers.
- (l) Security Deposit with Customs, Port Trust, etc.

**Notes:**

- (1) The mode of valuation shall be stated in respect of items (a) and (b) above.
- (2) In respect of Sundry Debtors the following further particulars shall be given:—
  - (i) The total amount of debts outstanding for a period exceeding six months shall be shown.
  - (ii) There shall be shown separately:—
    - (a) debts considered good in respect of which the company is fully secured;
    - (b) debts considered good, for which the company holds no security other than the debtors' personal security; and
    - (c) debts considered doubtful or bad.
  - (iii) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person and debts due by firms or private companies respectively in which any director is a partner or a director or a member shall be separately stated.
  - (iv) Debts due from other "companies under the same management", [as defined in sub-section (1B) of Section 370], shall be disclosed, with the names of the Companies.
  - (v) The maximum amount due by directors or other officers of the company at any time during the year shall be shown by way of a note.
- (3) Loans and Advances due by the managing agents, or secretaries and treasurers, either severally or jointly with any other person shall be separately stated.
- (4) Balances (whether debit or credit) on the Current Accounts of directors, managing agents, secretaries and treasurers or managers shall be shown separately.
- (5) The amount of the provision for bad and doubtful debts shall be shown as a deduction from the amount of Sundry Debtors. The amount of the provision to be so shown shall not exceed the amount of debts stated to be considered doubtful or bad and any surplus of such provision, if already created, should be shown as a Reserve.
- (6) In regard to Bank balances, particulars shall be given of—
  - (a) the balances with Scheduled Banks on:
    - (i) current accounts
    - (ii) call deposit accounts and
    - (iii) fixed term deposit accounts;
  - (b) the names of the bankers other than Scheduled Banks and the balances with each such banker on:
    - (i) current accounts
    - (ii) call deposit accounts and

(iii) fixed term deposit accounts, and the maximum amount outstanding at any time during the year from each such banker; and

(c) the nature of the interest, if any, of any director, or his relative or the managing agents or secretaries and treasurers, or of any of their associates in each of the bankers (other than Scheduled Banks) referred to in (b) above.

11. The Balance Sheet shall disclose particulars of expenditure not written off or adjusted, including in particulars:—

- (1) Preliminary expenses.
- (2) Expenses (including commission and brokerage) on under-writing or issue for subscription of shares or debentures.
- (3) Discount allowed on the issue of shares or debentures.
- (4) Interest paid out of capital during construction (also stating the rate of interest).
- (5) Development expenditure.

12. Where any of the items required to be stated under paragraphs 1 to 11 above are not material, they need not be disclosed separately.

13. Where the amount in respect of any item required as aforesaid to be shown separately is not separable from the amount in respect of another item, the two may be shown together under a suitable description.

14. The information required by this Schedule to be given in the Balance Sheet may be furnished in a separate Schedule or Schedules to be annexed to, and to form part of, the Balance Sheet.

15. Except in the case of the first Balance Sheet of a company, the corresponding amounts as at the end of the immediately preceding financial year for all items shown in the Balance Sheet shall be given. The requirements in this behalf shall, in the case of companies preparing quarterly or half-yearly accounts, relate to the Balance Sheet as at the corresponding date in the previous year.

16. If, in the opinion of the Board, any of the Current Assets, Loans and Advances have not a value on realisation in the ordinary course of business at least equal to the respective amounts at which they are stated, the fact that the Board is of that opinion shall be stated.

#### APPENDIX 'I'

*(Reference Section VIIIc of the Report)*

#### NOTE DETAILING SHORTCOMINGS IN ACCOUNTING MATTERS NOTICED IN THE COMPANIES ACT, 1956, WITH THE INSTITUTE'S SUGGESTIONS IN THE MATTER\*

##### 1. SECTION 350

The correct interpretation of this Section, after its amendment in 1960, has been the subject matter of considerable debate and difference of opinion between the Department of Company Law Administration ("CLA") and eminent members of the legal and accounting professions. Without entering into the controversy as to the correct legal interpretation of the Section, from the view-point of defectiveness in accounting matters, the Council wishes to point out that the words "and at the end of each subsequent financial year" (underlining ours) are most inappropriate in the context in which they appear, namely for the purpose of prescribing the point of time as at which "the written-down value of the assets" is to be determined for the purposes of the Section. The Council has been advised that, to give a proper meaning to the requirements of Section 350, the quoted words must necessarily be read to be "or at the end of the corresponding subsequent financial year as the case may be", the words "as the case may be" being necessarily understood if "and" is read as "or". We, therefore, suggest that, in Section 350, for the words "and at the end of each subsequent financial year," there should be substituted the words "or at the end of the corresponding subsequent financial year as the case may be".

\*This note was submitted by the Institute of Chartered Accountants of India in addition to the earlier representation.

## 2. SECTION 211(5)(v)

Sub-sections (1) and (2) of Section 211 contain provisions requiring that the Balance Sheet and the Profit and Loss Account of a Company shall give a true and fair view of its state of affairs and of its profit or loss for the financial year respectively. Section 211(5)(v) reads as follows:—

“The Balance Sheet and the Profit and Loss Account of a Company shall not be treated as not disclosing a true and fair view of the state of affairs of the Company, merely by reason of the fact that they do not disclose—

(v) in the case of any company, any matters which are not required to be disclosed by virtue of the provisions contained in Schedule VI or by virtue of a notification issued under sub-section (3) or an order issued under sub-section (4).”

In some quarters, it is apprehended that this provision is open to the interpretation that, so long as the Balance Sheet and the Profit and Loss Account give all the information required by Schedule VI, they should be taken as giving a true and fair view of the state of affairs of the Company. Occasions may arise when mere disclosure of the information required by Schedule VI may not be sufficient to give a true and fair view. But even in such cases, by virtue of the provisions of Section 211(5), the Balance Sheet and the Profit and Loss Account shall be treated as disclosing a true and fair view of the state of affairs of the company in question. In other words, as the law stands, it appears to be more important to give the information required by Schedule VI, than to give a true and fair view of the state of the company's affairs and of the results of its working for the relevant financial year. We presume that this was not intended by the framers of the law. It may be pointed out that the position is just the reverse under the U.K. Companies Act, 1948, which contains a specific provision in Section 149(3) to the effect that the requirement to give a true and fair view is the over-riding one, notwithstanding the additional requirements as regards disclosure of details contained in the Eighth Schedule to that Act. In this connection, reference may also be made to Paragraph 332 of the Report dated 30th May 1962 of the Company Law Committee in the U.K. (“Jenkins Committee”).

We, therefore, recommend a suitable amendment to the law, so as to provide that the requirement that the accounts should give a true and fair view is the over-riding one and that mere compliance with the detailed disclosures required by Schedule VI is not sufficient.

## 3. PROVISOS TO SUB-SECTIONS (1) AND (2) OF SECTION 211 VERSUS SECTION 211(5) AND 227(2)

The existing Provisos to sub-sections (1) and (2) of Section 211 state that nothing contained in the said sub-sections shall apply to an insurance or banking company or to any other class of company for which forms of Balance Sheet and Profit and Loss Account have been specified in or under the Act governing such class of company. Each of the said sub-sections contains two provisions, one as regards the presentation of a “true and fair view” and the other as regards compliance with the requirements of Schedule VI as regards disclosure of specified information. It was never the intention that the requirement as to disclosure of a “true and fair view” should not be applicable to banking or other “Special Act” companies. This is quite clear from the language used in Sections 211(5) and 227. The intention in inserting the abovementioned Provisos was, quite obviously, to exempt such companies only from the provisions as regards compliance with the requirements of Schedule VI. However, by the use of the words “nothing contained in this sub-section” in each of the said Provisos, the legal effect is that both requirements, (including the requirement to give “a true and fair view”) become inapplicable for all such companies. And yet, although the requirement to give a true and fair view has thus become inapplicable for such Companies, sub-section (5) of Section 211 speaks of the Balance Sheet and Profit and Loss Account of such a Company being not “treated as not disclosing a true and fair view of the state of affairs of the Company” merely for the reasons specified in Clauses (i) to (iv) of that sub-section. Moreover, after the amendment of sub-section (5) of Section 227 in 1960, the auditor of even such a Company is required by Section 227(2) to state in his Report whether the Balance Sheet and Profit and Loss Account give a true and fair view! It becomes difficult to reconcile the requirements of Section 227(2) and the implications of Section 211(5) on the one hand with the language adopted in the Provisos to sub-sections (1) and (2) of Section 211 on the other, whereby “nothing contained in” those sub-sections applies to the classes of Companies referred to above.

The Council, therefore, recommends that the real intention should be properly brought out by suitable amendments to the Provisos somewhat on the following lines:—

The Proviso to Section 211(1) should read as under:—

“Provided that the requirement that the Balance Sheet shall be in the form set out in Part I of Schedule VI and that it shall comply with the general instructions for the preparation of the Balance Sheet under the heading “Notes” at the end of that Part shall not apply to any insurance or banking company or to any other class of company for which a form of Balance Sheet has been specified in or under the Act governing such class of company.”

In the Proviso to Section 211(2), after the words “this sub-section,” the words “regarding compliance with the requirements of Part II of Schedule VI” should be inserted.

#### 4. PART II OF SCHEDULE VI

From the viewpoint of truth in accounting, so vital for the continuing health and growth of the national economy, the main shortcoming of Part II of Schedule VI to the Act, which contains the “Requirements as to Profit and Loss Account,” is that while a considerable mass of detailed information is required to be disclosed in the Profit and Loss Account, not all of which appears to be entirely necessary or significant for the average lay shareholder of a Company, there is no clear-cut requirement that the Profit and Loss Account should give “true and fair” figures of: (i) the Profit before Tax, and (ii) the Profit after Tax for the financial year; with all material adjustments to such figures of Profit in respect of transactions relating to other financial years, as well as all appropriations and transfers, including dividends paid or proposed out of such Profit, shown in a separate part of the Profit and Loss Account. On the contrary, the existing requirements of Part II of Schedule VI tend to have the effect of making difficult the presentation of what should be the most significant figure in the Profit and Loss Account, namely the figure representing “the result of the working of the Company during the period covered by the account” by requiring amounts transferred to, as well as from, Reserve Accounts from to the Profit and Loss Account and appropriations for Proposed Dividend from the balance of Profit to be shown within the body of one single Profit and Loss Account.

The Council, therefore, recommends that Part II of Schedule VI should contain a specific requirement for disclosure in the Profit and Loss Account of the “true and fair” figures of: (i) the Profit before Tax, and (ii) the Profit after Tax for the financial year; with all material adjustments to such figures of Profit in respect of transactions relating to other financial years, as well as all appropriations and transfers, including dividends paid or proposed out of such Profit, shown in a separate part of the Profit and Loss Account. For ready reference, it may be mentioned that the existing requirements for disclosure of such items in the Profit and Loss Account are contained in Clauses (vii), (viii) and (xiv) of Paragraph 3 of Part II of Schedule VI.

5. A clear-cut and logical distinction between the requirements for disclosure of the respective items relating to the Balance Sheet and the Profit and Loss Account in Parts I and II respectively of Schedule VI has not been maintained under the existing provisions. Thus, for example, the amount of the arrears of depreciation for the relevant financial year, computed in accordance with the requirements of Section 205, which is a material item of information relating to the Profit and Loss Account, is not required to be shown at all. Instead, Clause (iv) of Paragraph 3 of Part II requires disclosure in the Profit and Loss Account of the total amount of the arrears of depreciation up to the Balance Sheet date, computed in accordance with Section 205(2). The total quantum of arrears of depreciation up to the Balance Sheet date is of significance for consideration of the Balance Sheet and not the Profit and Loss Account. Similarly, the Notes inserted in 1960 after Clauses (x) (f) (3) and (xii) (a) of Paragraph 3 of Part II relate to information in respect of items contained in the Balance Sheet and should therefore logically have appeared in Part I of the Schedule.

6. Schedule VI contains a number of shortcomings in accounting matters. Examples of this are found in Notes (a), (b), (d), (g) and (l) appearing under the heading “General Instructions for Preparation of Balance Sheet” appearing after the prescribed form of Balance Sheet in Part I of Schedule VI. Again, in Paragraph 4 of Part II, the words “any other person” in the preamble, need to be substituted by words adequate to narrow down the requirement to what is

actually intended, as clarified by the CLA themselves, namely disclosure of payments by third parties on behalf of the relevant Company or for work done for the relevant Company by the categories of its managerial personnel specified in the paragraphs.

The requirement in Clause (iii) of Paragraph 3 of Part II for disclosure in the Profit and Loss Account of the amounts for which works in progress "have been completed at the commencement and at the end of the accounting period" is self-contradictory. It is not clear how there could be any amounts for which such works have been completed when one is considering "*works in progress*."

#### APPENDIX 'J'

(Reference Section VIII D of the Report)

### SUGGESTIONS FOR A REORIENTATION OF THE STRUCTURE AND RATES OF DIRECT TAXATION\*

The Council of my Institute have noted with great interest recent pronouncements regarding the need for stabilising the price level in the country and promoting capital formation. My Council have carefully considered the various aspects of this problem and would like to make the following submission for your consideration.

#### A CASE FOR REDUCTION OF RATES OF DIRECT TAXES

Apart from any punitive measures, my Council feels that if tax evasion could be rendered less attractive, that would serve as a preventive measure for the future. In this context a reduction in the rates of taxation would be a measure worthwhile adopting. It is true that a high rate of taxation does not, by itself, constitute the only ground for evasion. All the same, if the gain involved in that activity could be made less attractive, the trend towards tax evasion would definitely be on the decline. The experience of other countries goes to prove that the increased rates of tax has a direct bearing on the magnitude of tax evasion, particularly where the rate of taxation has crossed a reasonable limit. The general trend, therefore, in other advanced countries, is towards reduction of rates of Direct Taxes. It is, therefore, suggested that the Government should pursue a policy of progressive reduction in the rates of Direct Taxes, both for individuals and Corporations, whereby, over a period of 5 years, the maximum rate of Direct Tax for individuals is progressively brought down to 60 % and that for Corporations to a flat rate of 45 %. This gesture on the part of the Government, would, to a considerable extent, remove the incentive for tax evasion. As a result the overall revenues of the Government, through Direct Taxes, both from individuals and Corporations, would increase considerably.

#### SIMPLIFICATION OF RATE STRUCTURE

A field where positive improvement could be attempted is in respect of the arithmetic calculation of tax on the total income of a person. At present it is very cumbersome and complicated. Differing rates of tax including surcharges, depending upon the nature of the constituent parts of income, like earned income, unearned income, salaries, compensation, capital gains, ascertainment of the average rates of Income-tax and Super Tax, calculation of the amount of rebate for Income-tax and Super Tax, etc., call for involved calculations. Again in respect of the same assessee these elaborate calculations have to be made on more than one occasion, viz., for calculating of advance tax, provisional tax, tax on regular assessment, and once again where the assessment gets revised in appeal or revision. One way of simplifying the existing system appears to be to grant reliefs or rebates on specified category of incomes like earned income or capital gains or on specified types of outgoings like donations and payment of Life Insurance premia not by reference to the tax payable, but by an outright deduction wholly or partly from the chargeable total income as such. This would mean that after all adjustments to the total income are made there would be one residuary figure on which the rate of tax is to be applied. There would be thus one basic calculation for the tax payable and that would be with reference to the chargeable income. Surcharges and additional surcharges, even if they are to be retained as special levies, could be levied by reference to such basic tax payable on the chargeable income and not by reference to the tax payable on particular segments of the total income.

#### CERTAINTY WITH REGARD TO LEGISLATION

In this connection, it may be mentioned that the frequency with which both the substantive provisions of tax legislation as well as the rates of tax are changed by means of amendments add to the confusion. If there is a continuity with regard to a system, that by itself adds to the understanding of it.

\*This Memorandum was submitted in January 1964 to the Union Finance Minister by the President of the Institute of Chartered Accountants of India.



### CEILING ON INCOME

It is observed that with the imposition of various Direct Taxes, particularly the Income-tax, Super Tax and Wealth Tax, there are cases in which a person is called upon to pay even more than 100 % of his income during a year. This position becomes even more difficult when the Income-tax Department, while determining the total income of an assessee, disallows a certain portion of legitimate expenditure, e.g., in the case of rented properties. In order to provide sufficient incentive and inducement to the income-earners to exert more and to earn more, adding to the National product in that process, it is submitted that there should be some sort of an overall ceiling on the total Direct Tax which he is called upon to pay. In the context of the present conditions, it is submitted that such an overall limit should be of 80 % of the total income in the case of aggregate of Income-tax, Super Tax, Wealth Tax, etc. This limit should not include capital gains and in computing the limit, capital gains should be excluded from the total income because of the peculiar nature of the content of what is taxed as capital gains. The limit of 80 % should be progressively brought down to about 60% with the progressive reduction in the rate of Direct Taxes on income suggested earlier.

### EXEMPTION LIMIT

The Council is of the opinion that the present limit of Rs. 3,000 up to which a person is exempt from tax is too low a figure and quite unrealistic under the present conditions, having regard to the continuous increase in the price level since the limit was originally fixed. It is, therefore, submitted that the exemption limit for income-tax may be linked up with the rise in the general price index. The present limit of Rs. 3,000 should be increased to at least Rs. 5,000. Such a measure would provide much needed relief to the persons with limited income and at the same time, relieve the administration from a considerable amount of unproductive work.

### CASE FOR ALLOWANCE FOR CHILDREN AND OTHER DEPENDANTS

A stage has now been reached when adequate relief should be given to the tax-payer in the small income group by providing suitable allowances in respect of children and other dependants by way of direct deduction from the total income. In order to avoid the possibility of abuse, and to guard against allowances being claimed by two assesseees in respect of the same individual, it is suggested that when the husband and wife or other persons are tax-payers, then at the option of the assessee, the allowance may be claimed by any one of such persons or shared proportionately by them so that the total amount of such allowances does not exceed allowance for each such child or dependant.

### COMPULSORY DEPOSIT SCHEME

It is submitted that the revenue gains are not commensurate with the various administrative difficulties involved, including the detailed computations. My Council feels that there is no case for the continuation of the Compulsory Deposit Scheme for tax-payers and that it should be withdrawn, and along with it the levy of additional surcharge should be abolished.

### TAXATION OF REGISTERED FIRMS

The Council had represented in 1956 that the tax on Registered Partnerships should not be made applicable to professional firms as it would retard the formation of such firms as also the trend towards an increase in their size. The Council submits that in the case of professional firms, like those of Chartered Accountants, Lawyers, etc., there is no justification for the levy of such a tax.

During the last decade, the work of various professional persons, including Chartered Accountants, has become more specialised. Apart from their traditional functions, they are required to deal with a large number of specialised problems. The requirement for specialists keeps on increasing rapidly on account of the emergence of various economic, scientific and social forces. In the context of such revolutionary changes, it becomes impossible for a single professional person or a small-sized professional firm to keep abreast with the currents of thought in all the fields at the same time. These factors, coupled with the preference shown by a businessman in obtaining specialised services for the purpose of running or administering his business, have contributed to the growth in the size of the firms and a need for specialisation on the part of the various partners

of a large professional firm. With the increase in the size of the business units, this need for specialists also increases. The Jenkins Committee in the United Kingdom recognised the importance of the necessity for increasing the size of professional firms. It recommended that the limit set on the maximum number of partners in a partnership should not be applicable to professional firms. The relevant extract from the Report is reproduced below:

"The restriction imposed by Section 434 (Companies Act) has brought difficulties for those professional firms who cannot by law, or professional practice or custom, be incorporated and who wish, as many do under existing economic conditions, to have more than twenty partners. The partners in such firms belong to professional organisations which exercise effective control over their members and we do not think it is necessary for the protection of the public to maintain the restriction in their case."

Possibly, the tax on Registered Firms was introduced with a view to discouraging businessmen from resorting to the device of admitting their relatives and other nominees as partners for the purpose of avoiding or reducing the incidence of taxation. The Council submits that this consideration is totally absent in the case of professional firms, like those of Chartered Accountants, Solicitors, Architects, etc., where the gaining admission into the partnership, the individual has to obtain the qualifications of the appropriate professional body.

The prohibition imposed on the carrying of the profession of Accountancy in the form of a limited company is yet another reason why special consideration should be shown to accountancy firms in the matter of taxation. It is believed that similar restrictions obtain in respect of various other professions as well.

At present, a higher rate of tax is imposed in the case of firms having five or more partners. The Council is of the opinion that this provision is most unjust to professional firms as it strikes at the root of the very desirable system of having larger partnerships of professional persons for rendering specialised service under one roof to their clients. In view of the above conditions, it is submitted that at least in the case of professional firms, the Registered Firms Tax should be abolished.

As a result of the representation of the Council and other professional bodies, the additional surcharge in the case of professional firms was reduced 50% to 10%. The Council submits that there is no justification for continuing even this 10% levy of additional surcharge on professional firms.

#### RETIREMENT BENEFITS FOR SELF-EMPLOYED PEOPLE

One of the significant features in the life of a self-employed person is that while he earns a comparatively high income in the prime of his life, after payment of tax he is left with only a very little margin of saving. Consequently, he finds it difficult to lead or maintain for long a life of reasonable standard during his retired life. The difficulty in this regard is all the more in India where the value of the savings in real terms has been continuously on the decline on account of the steady rise in prices. To mitigate the difficulties arising in such a situation, the United Kingdom Tax Laws have a provision under Sections 22 and 23 of the United Kingdom Finance Act, 1956, exempting from the income of self-employed persons a sum of £750 or an amount not exceeding 10% of his income, whichever is less, utilised in the purchase of a retirement annuity. The exemption is available on condition that at the time the annuity matures for payment, the annual payments received would suffer tax.

The scheme covers several classes of persons, such as professional men, partners in firms, etc. The scheme is applicable even to two jobmen, i.e., individuals who are earning income from two sources, one earning pension rights and the other not so entitled e.g., persons holding part-time pensionable posts.

Introduction of such a scheme in India would help the tax-payer to save a larger sum of money for his retirement than what he is able to do now after payment of tax.

It may be pointed out that the relief sought under the scheme is different from the one to which a self-employed assessee is entitled just as other individual assessee, under Section 87(3) (2) of the Income-tax Act, in so far as the amount exempted under this scheme would not wholly escape tax, but would be taxed at a lower rate—the rate applicable to him on the basis of his total income at the time the instalments of annuity are received. It must further be clarified that the amount contributed by the members under the scheme would be invested in

Government Securities. This would be apparent from the Insurance-cum-Annuity Scheme, appended to the memorandum, to illustrate the manner in which the concession would operate in effect. The scheme has been drawn up on the lines of a similar scheme started by the Institute of Chartered Accountants in England and Wales some years ago. The Council submits that the Government may consider granting relief on these lines to self-employed persons in addition to what is envisaged under Section 87 of the Income-tax Act.

#### COMPULSORY DISTRIBUTION OF DIVIDENDS BY COMPANIES IN WHICH THE PUBLIC ARE NOT SUBSTANTIALLY INTERESTED

The Council is aware of the principle on which the provisions of income-tax for the compulsory distribution of dividends by companies in which the public are not substantially interested are based. However, it is submitted that the provisions are no longer to be looked at merely as means for meeting the challenge of legal avoidance of Super-tax. They should now be viewed as potent instrument for channelling the smooth flow of accumulated profits for the betterment of the national economy. Therefore, with a view to expediting industrial development in the country by re-investment of accumulated earnings of such companies, the Council makes the following submissions.

1. In the case of industrial undertakings, there should be no insistence on compulsory distribution of dividends if the income of a portion of it is credited into a separate Reserve Account and utilised within a reasonable period for the purpose of expansion of business. This principle should apply only to an industrial concern and not to a trading or investment company.

2. In the case of trading concerns, although the present provisions regarding compulsory distribution of dividends may be continued, it is suggested that the requirement of 90% distribution of dividends where the reserves are equal to paid-up capital, should be waived, and the distribution of dividends should be restricted to 60% in cases where the additional reserves are set apart and used, within a reasonable period, for the expansion of the business.

3. An amendment may be made to provide that any portion of the profits of a company transferred to a separate reserve and utilised for the purchase of capital assets within a period of 5 years should be excluded for the purpose of computing "distributable income."

4. In the case of Indian companies where the foreign collaborators have an equity participation of more than 25%, there should be no insistence of compulsory distribution at all. This would result in a saving of foreign exchange through reinvestment of funds by the foreign collaborators.

#### CAPITAL EXPENDITURE INCURRED PRIOR TO COMMENCEMENT OF PRODUCTION

According to the present departmental practice, expenditure by way of salaries, rent and other administrative expenditure incurred prior to the commencement of business is disallowed. It is not considered to be an expenditure incurred for earning the income, nor is it considered capital expenditure entitled to depreciation and development rebate.

The distinction between capital expenditure and revenue expenditure assumes its significance only for purposes of short-term financial analysis. It cannot be denied that both types of expenditure have got to be absorbed by the business. Therefore, when an item of expenditure incurred for purposes of business is judged to be an item of capital expenditure, it is submitted that such expenditure may either be allowed as revenue expenditure in the year in which it is incurred or alternatively amortised. Such amortisation should be either by way of depreciation or otherwise spread over and allowed as a deduction over a period of years not exceeding 5 years and charged equally to the profits of 5 succeeding years.

#### PAYMENT FOR TECHNICAL KNOW-HOW

My Council wishes to draw your attention in particular to the manner in which payments for technical know-how are dealt with by the Taxing Department. At present, payments which are specifically made in connection with drawings, lay-outs of factory, buildings, plant, etc. are allowed to be capitalised and depreciation and development rebate are granted in respect of such sums. But payments made for the formula for the production of goods, guidance regarding method and manner of manufacturing the articles, etc., are treated as capital payments. But no depreciation or development rebate is allowed on it as such expenditure does not bring into existence any tangible assets. My Council submits that this is not

at all justified. Such expenditure should be treated as having been made for purposes of business and allowed as revenue expenditure, it being on par with payments as royalty. Annual payments of royalty are definitely allowed as deduction and there is no reason why the initial payment in lieu of royalty which would otherwise have been incurred over a number of years should not be allowed. The lump sum payment would, in fact, be smaller than the total amount of expenditure, if the payments were to be made annually. Therefore, my Council submits that payment for technical know-how should be treated on par with scientific research for purposes of Section 10.

#### TAXATION OF INTER-CORPORATE DIVIDENDS

It is suggested that with the high rate of taxation in the corporate sector, the present system of taxation of inter-corporate dividends at different stages acts very harshly on the investor. Therefore, taxation of inter-corporate dividends should be done away with.

#### TAX ON BONUS ISSUES

In the opinion of the Council, although the rate of Bonus Tax has been reduced from 40 % to 12½ %, the very principle of Bonus Tax is illogical and ill-conceived. In respect of a bonus issue, there is no distribution of the income of the company and, therefore, there is no justification for such a tax. Moreover, since any distribution of dividends in respect of bonus shares also attracts taxation, this levy clearly amounts to double taxation. It is, therefore, suggested that the taxation of bonus shares should be discontinued.

#### SUPER PROFITS TAX

The Council is of the opinion that the Super Profits Tax in its present form has acted as a definite disincentive to business efficiency and must be withdrawn at the earliest possible date or substituted by a more equitable measure. The standard deduction of 6% of the own funds acts as a discouraging factor in attracting foreign capital.

#### ACCORDING STUDIES IN RESPECT OF PUBLIC EXPENDITURE

My Council submits that, apart from the suggestions made in respect of taxes, a good deal could be achieved in respect of public expenditure itself. After all, both the quantum as well as the pattern of taxation takes its hue from the extent and structure of public expenditure. If public expenditure itself is subjected to scientific analysis from the accounting point of view, it would help in the discovery of many areas where economy could be effected, adding to the efficiency. The members of the Institute would be only too willing to be associated with this function and the Government could draw upon the experience and knowledge of the members in conducting such management and financial analysis on a scientific basis.

R. C. COOPER,  
President.

#### APPENDIX

##### SCHEME OF PENSION AND LIFE INSURANCE FOR THE CHARTERED ACCOUNTANTS

All Chartered Accountants may be divided into two Groups. One Group will include all Chartered Accountants who are practising Auditors, Income-tax Experts, etc. In other words they are the professionals who are not employed by any Employer. The second group will consist of Chartered Accountants who are employed on fixed remuneration in various firms and business houses. The second group presents no problems because as employees the Income-tax Act confers upon them several concessions if they join schemes like Provident Fund, Superannuation Schemes, etc. which their employers may have established.

The problems of the former group (the group consisting of practising Chartered Accountants) can be solved only if the Government is prepared to have a legislation more or less on the lines of the U.K. Finance Act 1956. This Finance Act has made far-reaching concessions to self-employed persons. The relevant sections of the Finance Act 1956 which deal with tax concessions to self-employed persons are Sections 22 and 23. For a body of practising professionals, the type of scheme which one can envisage for groups of employed persons, is not possible of implementation. The income of every individual member of the profession may

vary as also his requirements. Utmost flexibility permitting variations in contributions from year to year and as between one individual to another individual, though in the same income group, is necessary. Any scheme, however, which provides Death-cum-Retirement benefits can really be attractive only if the tax concessions available to Employer-Employee Group Schemes are also offered to self-employed persons. As it is, each Chartered Accountant has the option of effecting individual policies with the Life Insurance Corporation according to his needs. At the most Life Insurance Corporation can consider whether it can assist this body of professionals by offering some concessions in rates. But the build-up of satisfactory Death and Retirement Benefits out of individual taxed incomes is really a difficult task.

In the first instance, the suggested scheme is based on the assumption (a) that it will include only the self-employed Chartered Accountants and (b) that the necessary tax concessions will be given by Government to this class of Chartered Accounts.

#### PENSIONS AT RETIREMENT

It would appear that a Chartered Accountant will normally not retire from his profession, unless he is obliged to do so on grounds of ill-health. For the purpose of the scheme, however, it will be necessary to assume some average age at retirement which will be described as the normal retirement age. For the sake of fixing the ideas, age 65 has been taken as the normal retirement age.

Fixing this normal retirement age does not, however, imply that a member of the scheme must necessarily retire at this age or that he should commence receiving his retirement benefit from that age regardless of whether he retires or not. There would be provision in the scheme for retirement before the normal retirement age as also for deferment of retirement after the normal retirement age. For example, retirement between ages 55 and 65 may be permitted. Such retirements will naturally be described as early retirement and retirement after age 65 but before say age 70 may be termed as Deferred Retirement. This age range should normally cover the probable retirement ages of a majority of the Members.

*Contributions by the Members:* The Member may pay every year a varying contribution subject to such limits as may be prescribed by the Government under its legislation giving necessary tax concessions to self-employed persons. This contribution would be applied by the Corporation as Single Premium for purchase of Pension at normal retirement age. If the Member retires at the normal retirement age, the total Pension he will receive will be the sum total of the various units of Pension which will have been secured for him each year by the annual contribution which he will have paid before his retirement.

The Member would be issued by the Corporation an individual Certificate which will state the total contribution paid by the Member and the total Pension that will have been Purchased for him by the contributions paid to date. Obviously such Certificate will have to be issued every year, because the total quantum of Pension and the Contributions will vary from year to year depending upon the amount of contribution which the Member will pay each year and his attained age.

For the purpose of simplifying the administration of the scheme, it will envisage provision of a normal Pension. This Pension will be guaranteed for a minimum period of 5 years and will continue so long thereafter as the Member is alive. The Member will, however, have the option to exchange this normal Pension with any other type of Pension. The optional Pension that will be offered in lieu of the normal Pension will be of the following types :

#### PENSION GUARANTEED FOR LONGER PERIODS

*Option 1:* A pension which, instead of being guaranteed for 5 years, can be guaranteed for a longer period of, say, either 10 or 15 years. If the death of the Member occurs during this period, the Pension will continue to be paid to his dependents without any reduction for the balance of the guaranteed period. If, however, the Member survives the guaranteed period, the same Pension will continue to be paid to him during the remainder of his life. In this class of Pension, therefore, the Member has an assurance that regardless of his survival to the end of the guaranteed period, he or his dependents will benefit by the Pension over the minimum guaranteed period. On the contrary, if he lives beyond the guaranteed period, he has an assurance of life-long income. There is thus a guarantee of minimum benefit but no limit to the benefit which he can receive if he lives long enough.

**Option 2:** A member can purchase separate Pensions for himself and for his wife each of which may be guaranteed for an agreed period (e.g., 5, 10 or 15 years) and continue thereafter during the life time of beneficiary until death.

**Option 3:** If the Member does not wish to purchase separate Pensions for himself and his wife, he may purchase what are commonly known as "last survivor pensions". This Pension envisages that a certain amount of pension would be payable to the member and his wife so long as both are alive. If one of them dies, the pension will continue to the survivor of until his/her death. It is customary to provide in "last survivor Pensions" that so long as the Member and his wife is alive the quantum of pension should be more than the pension payable to the survivor.

It should, however, be understood that the amount of annual pension available under the options will not be of the same amount as normal Pension stated in his individual Certificate. The Member can notify to the Corporation his desire to elect optional pensions and the Corporation will quote the amounts of equivalent Pension which the Member or his wife or both can receive in lieu of the normal Pension.

#### EARLY RETIREMENT

If a Member retires before the normal retirement age, obviously the amount of his Pension will have to be adjusted. The Member will have paid fewer contributions and he is expected to live longer because he retires at a younger age. Consequently, the Pension payable on earlier retirement age will be a smaller amount than the normal Pension.

#### DEFERRED RETIREMENT

For the same reasons, if the Member retires after the normal retirement age, the quantum of his Pension will be more than the Pension at normal retirement age.

On the Member intimating to the Corporation his desire to retire earlier or later than the normal retirement age, individual quotations will be given of how much Pension he will receive at such retirement.

#### DEATH BEFORE RETIREMENT

In the event of death of the Member before the normal retirement age, his dependents will receive the contributions paid under the scheme and the interest which the Corporation may agree to pay thereon either in the form of an income or lump sum. The form of benefit will depend upon the legislation.

The scheme suggested above is mainly intended to provide retirement benefits to the Members of the Profession. It, however, gives no cover to his dependents in the event of premature death. It is, therefore, necessary to supplement the scheme by a scheme of Life Insurance.

#### TEMPORARY LIFE INSURANCE SCHEME

Provision of life-long incomes in adequate amounts to the dependents is very expensive. This, however, does not preclude any provision for the dependents. It is recommended that a regular monthly income of a fixed amount commencing on the death of the Member before age 65 and payable for a fixed period say 15 years, would be a reasonable and satisfactory insurance cover for the dependents. This cover may be provided under the temporary insurance plan.

Under this plan Member will pay a level annual premium the amount of which will depend upon the monthly income to be provided for the dependents.

If a member aged 35 wishes to provide a monthly income of Rs. 1,000/- payable to his dependents for 15 years from the date of his death the sum assured required will be about Rs. 1,46,000/- for which the annual premium payable by the Member will be about Rs. 2,800/-. If his death occurs at any time before he reaches 65, a guaranteed income of Rs. 1,000/- per month will be paid to his wife, children or any other dependents for a period of 15 years.

It must be clearly understood that if the Member survives to age 65, the insurance cover will cease. This plan carries neither Surrender nor Paid-up Values and consequently on the expiry of this plan, no cash benefit will accrue. In other words, the Members, or his dependents would receive no benefits under this plan, except in the event of death prior to age 65. Member will be required to submit to the Corporation satisfactory evidence of insurability at his expense.

The Combination of the Pension and Temporary Insurance Plan should provide reasonable security to the Members of the family as well as to the Member himself after retirement. Under the Temporary Insurance Plan, the income will always cease at the end of the fixed period of 15 years and consequently if the widow of a Member survives this period, she will have no income during her old age. It is recommended that the accumulated contributions under the Pension Plan up to the time of Member's death, should be retained with the Corporation to accumulate further and when the income under the Temporary Insurance Plan has ceased, the accumulated balance under the Pension Scheme should be utilised in purchasing for the widow of the Member a Life Pension.

Broad outlines of the scheme have only been described in this note. This will form the basis of further discussions without which a scheme of this nature can rarely be finalised. Perhaps the Members would like to know what benefits would be available under a Pension Plan and also the Temporary Insurance Plan for a stated amount of contribution.

#### ILLUSTRATION

For the purpose of this illustration, the following assumptions have been made:—

- (1) Effective Date of Membership of the Scheme and commencement of Membership, 1-4-1961.
- (2) Age completed at Entry, 35 years.
- (3) Annual Contribution Rs. 3,000/-.
- (4) Amount of Insurance under the Temporary Insurance Plan Rs. 50,000/-.
- (5) Normal retirement date, 1-4-91.

The following Assurances will be effected on the Member's life:—

#### 1. Temporary Insurance:

Sum Assured Rs. 50,000/- Annual Premium Rs. 956/- (approximately).

#### 2. A Pure Endowment:

Sum Assured Rs. 1,08,000/- (approximately).  
Equivalent Pension Rs. 10,000/- p.a. approximately.

Annual Premium Rs. 2,044/- (approximately).

The following will be the benefits assured to him under the Scheme:—

1. On survival to age 65, i.e., 1-4-1991, a Pension of Rs. 10,900/- approximately per annum payable monthly in arrear for 5 years in any event and thereafter, if the Member survives to the end of 5 years, so long he lives.

2. On death before age 65:—say at age 50, the sum of Rs. 50,000/- under the Term Insurance and Rs. 37,500/- (approximately) being the amount payable under the Pure Endowment, i.e., Pension Plan will be payable to his dependents in the form of a monthly income of Rs. 600/- (approximately) for 15 years.

#### APPENDIX 'K'

(Reference Section VIII D of the Report)

#### REPRESENTATION SUBMITTED BY THE INSTITUTE TO GOVERNMENT ON BUDGET PROPOSALS FOR 1964-65

The Council of my Institute has carefully considered the provisions of the Finance Bill 1964, The Companies (Profits) Surtax Bill 1964 and The Finance Minister's Budget Speech.

My Council is glad to note the realistic approach of the Government of India on many of the problems confronting the country's economy. The Council has also noted with satisfaction some of the measures proposed by the Government to deal with the economic problems particularly the suspension of the Compulsory Deposit Scheme and the replacement of the Super Profits Tax.

My Council would like to offer the following comments on some of the other provisions of the Bill for the consideration of the Government.

### 1. ADDITIONAL TAXES FOR SECTION 104 (OLD SECTION 23A) COMPANIES:

The Council is pleased to note that Government have accepted its suggestion for exempting, from the requirements of Compulsory distribution, Section 104 Companies engaged in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power. However, simultaneously, it is proposed to increase the effective rate of company tax from 50% to 60% in the case of profits and gains which are not attributable to the business of generation and distribution of electricity or in the manufacture or production of any one or more of the articles specified in the list given in Part IV of the First Schedule. Thus, the effective rates for certain classes of companies engaged in the manufacture or production of articles other than those mentioned in the aforesaid Part IV, as well as trading companies will now be 60%.

Again, such companies will also be liable to Dividend Tax even in respect of a modest distribution of dividend. The effective rate of tax for such companies, will therefore be much higher than 60%.

Having regard to the need for encouraging the middle class entrepreneur and the development of ancillary industries my Council feels that this is a retrograde step which will considerably hamper the economic development of the country, and particularly, by such small companies. It will also take away the benefit of reinvestment of earnings and industrial expansion through domestic resources, if as much as 60% of the profits are to be wiped out through income tax and corporate tax. My Council would suggest that the Government should reconsider its decision and leave the present rate structure for such companies undisturbed at 50%. Such companies should also be entitled to pay a dividend of at least 10% on their paid-up capital without having to pay tax at 7½%.

### 2. CAPITAL GAIN TAX ON BONUS SHARES:

In our opinion the proposed measure contained in Clause 12 of the Finance Bill aims at taxing a notional amount in respect of the bonus shares and hits at the very root of the concept of bonus shares.

In the very well-known case of *BLOTT*, the considered judicial pronouncement is to the effect that on the issue of a bonus share, the stake of the shareholders in the company does not change at all and therefore there is no element of income whether of a revenue character or of a capital nature. Even in cases where bonus shares are sold, the element of capital gain would be determined by taking into consideration the overall cost, because on the issue of bonus shares, the value of the existing shares would be proportionately diminished.

The present provision not only negatives the judicial pronouncement as also an accountancy principle but also leads to taxation on a notional basis. This disadvantage becomes all the more pronounced by taking the entire amount of the market value of the bonus shares for the purpose of determination of capital gains, because the cost to be taken into consideration would be nil.

Further, upon issue of Bonus Shares, the Company itself is subjected to tax; upon liquidation of the company entire accumulated profits are treated as dividend; and upon sale of bonus shares, the shareholders is subject to pay capital gains tax or normal income-tax and super tax as the case may be.

It thus leads to a multiple tax levy in respect of the same transaction. My Council would therefore suggest a reconsideration of this matter and deletion of this particular clause with reference to the issue of bonus shares.

### 3. DIVIDEND TAX:

The need for greater ploughing back of profit for industrial expansion cannot be over emphasised. However, my Council feels that in its present form the 7½% tax on the dividends other than for companies which have to make a compulsory distribution requires some modification. Whereas my Council appreciates that the proposals to levy this dividend tax is for conserving the resources of companies, it would suggest that this dividend tax should not be applicable in all cases up to a limit of 10% on paid-up equity capital. The levy of dividend tax at 7½% should start in respect of equity dividends in excess of the limit of 10%.

### 4. ANNUITY DEPOSIT SCHEME:

The Council respectfully, endorses the object of reducing the rates of direct taxes on individuals in order to encourage hard work, initiative and enterprise;



but is unable to agree with the principle that a person who saves his money should not be able to decide for himself how he should invest it.

The Council fails to see the benefit accruing from the reduction in the rates of taxes to an individual assessee, because at the end of ten years, the assessee will be collecting ten instalments of annuity, which in turn will be assessed together with the interest when repaid.

If however, this Scheme is at all to be retained, my Council would like to make one suggestion for its amendment. It is suggested that the assessee should be given an option to postpone the commencement of the repayment of deposit by Government, if he so chooses.

The advantage of this modification would be that the scheme itself would be converted into a partial retirement benefit measure in so far as the assessee could exercise the option of starting the repayment at such time when he is able to retire and will provide him with retirement benefit. The suggestion of my Council is not likely to lead to any appreciable loss of revenue for the Government and from Government's point of view, the additional advantage would be that the deposit money will be available for a longer period. It is hoped that this suggestion will receive attention from Government as it is likely to provide much needed relief to self-employed people who do not have the benefits of provident fund, gratuity, etc.

It is also suggested that the benefit offered to special category of persons like actors, authors, etc., be also extended to all self-employed people like professional persons.

#### 5. SELF ASSESSMENT AND PAYMENT:

Whereas my Council cannot object to the scheme for self assessment and payment of tax by the assessee, it would like to point out some of the administrative difficulties involved in this matter. It is the general experience of tax payers that in spite of writing letters to the Department, even the challans, to enable the assessee to make payment of tax, are not readily available. Further many small assesseees will not be familiar with detailed computations of tax.

We would therefore recommend a modification of the scheme whereby upon receipt of the income-tax return, the Income-tax Officer should make the calculations of tax and send out a challan to the assessee requiring him to pay the tax within 30 days. In the opinion of my Council this will lead to smoother administrative working and remove undue inconvenience to the assesseees.

In this connection my Council would also like to point out that the proposal contained in the Finance Bill viz., that where the income returned by an assessee is less than 90% of the assessed income, the assessee should be deemed to have concealed his income or furnished inaccurate particulars thereof, is harsh, and likely to create hardship in genuine cases where there has been an honest mistake in preparing the return or calculating the tax. My Council would strongly suggest the deletion of this measure.

#### 6. REGISTERED PARTNERSHIP TAX FOR PROFESSIONAL FIRMS:

My Council would once again like to take the opportunity of reiterating its earlier request to exempt professional partnerships from the levy of registered partnership tax. In respect of professional firms where all the members of the firm are qualified members of a professional institute, there is no possibility of avoidance of tax through the device of a registered partnership. As is well-known, professional firms cannot incorporate themselves into corporate entities.

Moreover, in view of scarcity of professional talent and the need for encouraging larger professional firms for rendering more efficient and specialised services to the public, it is desirable to encourage formation of professional partnerships. My Council therefore feels that the Government should give consideration to this matter and either exempt professional firms from the levy of the registered partnership tax or at least reduce the tax substantially in case of professional firms.

#### 7. WEALTH-TAX LIMITS:

My Council have noted the proposal to reduce the non-taxable limit for wealth tax to Rs. 1,00,000/-. The administrative difficulties involved through this reduction are likely to be considerable and in terms of the amount of revenue derived,

the cost of collection will not, it is submitted, make it worthwhile to make assessments on this basis. Including the overheads of the Wealth-tax Department the expenditure per wealth tax assessment in many cases would not cover the revenue collected from the assessee. This would particularly apply to cases where the wealth is only slightly in excess of Rs. 1,00,000/-. For instance, where the net wealth is Rs. 1,20,000/- the revenue derived will be only Rs. 100/-. For Rs. 1,50,000/- the revenue derived will be Rs. 250/-. In such cases, having regard to the time spent by the Wealth-tax Officer, the assessment would be uneconomical. It would therefore be worthwhile reexamining the proposal to consider whether the non-taxable limit should not be retained at Rs. 2,00,000/- which terms of pre-war price level, comes to less than Rs. 40,000/- per assessee.

My Council will be grateful if it is offered an opportunity to wait in a delegation on the Finance Minister for more detailed discussion of some of the points mentioned in this memorandum.

#### APPENDIX 'L'

(Reference Section VIII D of the Report)

### MEMORANDUM ON THE PRACTICAL DIFFICULTIES AND HARDSHIPS RESULTING FROM THE BUDGET PROPOSALS

#### 1. CLAUSE 6—AMENDMENT OF SECTION 10

1.1 According to the proposed amendment, a technician becomes entitled to tax-free exemption in respect of his remuneration received for a period of 36 months if he satisfies certain prescribed conditions and his contract of service is approved by the Central Government before the commencement of his service or within one year of such commencement. It may be clarified that this benefit will be extended to those technicians who were already in India before 31st March, 1964.

#### 2. CLAUSE 8—GRANT OF DEVELOPMENT REBATE.

2.1 One of the conditions laid down for the grant of development rebate is that the machinery or plant is imported in India by the assessee. Often, assessee effect purchases of such assets from dealers in India who might have imported them on their own account. Instances are also not rare where an actual user imports plant or machinery and transfers it to new economic units formed for the specific purpose of running an industry in which such plant or machinery are put to use. In such cases, a strict interpretation of the clause would lead to a denial of the benefit altogether. Therefore, it is submitted that the provision should be suitably modified to secure that development rebate would be granted on plant or machinery imported into India either by the assessee himself or by another person from whom the assessee had taken it over and used by him in India for the first time.

2.2 Under the proposed amendments, where an assessee imports any second-hand machinery or plant and puts it to use, development rebate is granted subject to his fulfilling certain conditions which are to be prescribed, in addition to the four conditions already specified. It is submitted that the Government should specify the nature of the evidence to be adduced. If the Department is to insist on every assessee tracing back the history of each asset to the manufacturer and obtaining certificate from each and every person who had owned it previously, then, in most cases, the assessee would not be in a position to claim the benefit. It is submitted that a certificate from the seller to the effect that the asset has not been used by him previously in India and that no depreciation has been allowed on it, should be acceptable to the Revenue authorities. The position should, therefore, be clarified by issue of appropriate executive instructions.

#### 3. CLAUSE 9—EXPENSES ON ADVERTISEMENT, TRAVELLING, RESIDENTIAL ACCOMMODATION, ETC.

3.1 This clause envisages a restriction on the allowance of expenditure on advertisement, maintenance of accommodation, travelling expenses, etc., which is to be governed by conditions which are to be prescribed. It is submitted that undue hardship would result in the administration of this provision as it places vast discretionary powers in the hands of the Revenue authorities.

3.2 In a large business, having all India or even international connections, expenditure on advertisements, travelling, etc., is incurred keeping in mind not the immediate benefit, but the accruing benefits to the business. It could well be that benefits accruing from such expenditure do not occur in the years in which they

are incurred. It would be difficult, therefore, to gauge with any mathematical precision in these matters, and the grant of discretionary powers to the taxing authorities could only lead to unnecessary expenses in litigation and delay in the finality of assessments. It would be almost impossible to prescribe conditions and limitations in the Income-tax Rules satisfying the requirements of each and every type of business. It is submitted that the justification for incurring such expenses should be left to the judgement of the businessmen themselves and that the existing provisions under which expenses get allowed only where they are incurred wholly and exclusively for the purpose of business is a sufficient safeguard against depletion of the tax base through expense accounts.

#### 4. CLAUSE 10—BENEFIT OR AMENITY OR PERQUISITE.

4.1 A change in the drafting of the Section appears to be necessary in the light of the Explanatory Note on the Budget proposals and the speech of the Finance Minister. From these, the intention of the Government appears to have been to disallow with effect from 1st March 1964, any expenditure incurred by a company resulting in the provision of perquisites, etc., to an employee to the extent to which such expenditure exceeds 20 per cent of the employee's salary, the ceiling on the quantum of expenditure allowable being determined with reference to perquisites provided for after 29th February 1964. However, the clause, as it stands now, makes the ceiling applicable to perquisites in respect of the whole of the previous year relevant to 1964-65 assessment year to the extent to which such expenditure exceeds 20% of the salary payable in respect of the period after 29th February 1964. That is to say the clause, as it stands now, enlarges the ambit of expenditure liable to disallowance, reducing, at the same time, in quantum the ceiling by applying the 20% to the salary payable after 29th February 1964. A suitable modification in the wording to remove the obviously unintended hardship is called for.

4.2 Explanation 2 to Section 40 indicates that the word "salary" should have the same meaning as in clause (h) of Rule 2 of Part A of the Fourth Schedule. It is submitted that this would unduly restrict the meaning of the word "salary". Therefore, "salary" may be defined to include any fees, commissions, profits in lieu or in addition to salary or wages as well as bonus and rent paid by the employee but reimbursed by the employer. It should also be clarified that benefits, such as medical benefits, passages, travelling allowances, which are excluded from total income under Sections 10(5) and 10(6) should not be considered as perquisites for this purpose.

4.3 In the case of technicians, the benefits of exemption now obtaining for a period of three years in respect of payment to them of tax-free salaries should be modified in such a way that the tax borne by the employer during the fourth and fifth years of their contract is not considered as perquisites while applying the 20% restriction.

4.4 Another difficulty that employees on a contract basis will be faced with in view of the proposed changes regarding the calculation of perquisites is with regard to the passage money. Normally, an employee gets entitled to it only at intervals of three years. It is submitted that in such a case the total amount of passage money should not be taken into account, but only on an average basis determined with reference to the number of years of service mentioned in the contract entitling him to the passage money.

#### 5. CLAUSE 12—BONUS SHARES.

5.1 Further to the submissions we have already made that the taxation of bonus shares negatives both judicial pronouncements as well as Accountancy principles, it is submitted that unless the definition of "income" is suitably amended in the Act, it is doubtful whether the provisions of Section 35 by themselves are sufficient authority for obtaining the result envisaged.

5.2 Taxation of capital gains in respect of bonus shares issued is based on the assumption that such an issue of shares gives rise to an element of gain in the market value of the shares and the attempt made is to tax this element of gain. It is submitted that element of gain, if any, in this activity has to be viewed not in isolation but by comparing the market value of the original shares prior to the issue of bonus shares with the market value of the original shares plus the bonus shares after the bonus shares are issued. If such a comparison on an overall basis discloses any element of accretion in the value, it may perhaps be justified in levying a tax on such notional accretion.

5.3 It is not clear from the new sub-section whether the capital gains on the bonus shares are to be considered as short term or long term capital gains. It

may be clarified that they should be treated as long term capital gains at least in instances where the original holdings have been held for a period of more than 12 months.

5.4 There seems to exist a bit of an anomaly when we take into consideration two cases, one where the shareholder retains his bonus share for a period of more than 30 days, and another where the shareholder transfers his bonus share before that period. According to the proviso to Section 45(2), in the latter case, the shareholder does not pay the bonus tax and on sale of his shares he would directly secure the benefit of the average cost concept in determination of the total profit or loss which is assessable. It is submitted that it would be only fair that the person who is required to bear the tax in instances of the first type is put on par in the determination of the quantum on which tax is payable. Therefore, it may be clarified that the quantum of profit taxable under Section 45(2) would be the market value on the date specified less cost on average basis in the light of the recent Supreme Court judgement in the case of Dalmia Cement Co. It is preferable that the manner in which cost is to be ascertained is clearly laid down in the Act itself.

5.5 It is submitted, in any case, there is a need for consequential amendment in Section 2(22), according to which when capitalised profits are distributed on liquidation they are taxed as dividends. When bonus shares are being brought to tax, it is only fair that such sums should be excluded specifically from the operation of Section 2(22).

5.6 The proposed change is of fundamental nature and therefore my Council submits that retrospective effect should not be given to it and only issue of bonus shares subsequent to 29th February 1964 should come up for consideration.

#### 6. CLAUSE 13—DETERMINATION OF VALUE OF CAPITAL ASSETS.

6.1 The provision vesting authority in the hands of the Income-tax Officers to determine the fair market value of assets in the manner proposed is likely to result in a great deal of hardship in its practical application. The object in introducing this provision is clearly to bring to tax profits earned on transfer, the full value of which does not get recorded in the documents. My Council is one with the Finance Minister that, in proved instances of this type of transactions, there should be stringent measures to deal with the situation. But it is submitted that the grant of a general power of the type envisaged might lead to substantial difficulties even in cases of genuine transfers. This method of cutting short enquiries and fixing arbitrary standards may not ultimately help in reaching finality. In matters of assessment, for every single instance of value quoted by the Department, the assessee may be able to quote instances by the score to support his case, with the result that the Department would find it difficult to sustain its action before the appellate authorities when the matters go up before them. Therefore, the feasibility of modifying the Section in such way that the powers are involved only for estimating the sale price in instances where the authorities are satisfied that the transactions at the declared value had been made only with a view to avoiding or reducing tax liability should be explored. Such a provision would be in consonance with the existing provision which grants discretionary powers while dealing with transactions between parties who are connected with one another.

#### 7. CLAUSE 16.—UNEXPLAINED MONEY, ETC.

7.1 This provision is bound to entail a great deal of hardship on the assessee, as it would not be possible to satisfy the requirements of the Department in the shape of verifiable proof in every case. It would be difficult for any one to prove from the books of accounts or other records the sources of acquisition of such assets, as such records may never have been maintained at all. To give an example, in the case of family heirlooms, it is difficult to visualise most of the assessee being able to prove their source, unless the Department takes a very reasonable view, considering the circumstances of each case. In matters like this, it is submitted that all that could be insisted upon would be explanations which have a high degree of probability, and not evidence which would satisfy all tests and qualify itself as cent per cent proof in support of the contentions of the assessee. Necessary executive instructions may therefore be issued in this regard.

#### 8. CLAUSE 23.—SECTION 104 COMPANIES.

8.1 My Council is of the view that the existing benefit in respect of companies whose activities are of manufacturing type at least in part should be continued and the proposed change confining the benefits only to Indian companies whose business consists wholly in the manufacture etc., should suitably be modified.

#### 9. CLAUSE 26—REDUCTION OF MINIMUM DISTRIBUTION OF DIVIDENDS.

9.1 This provision is most welcome. However, in the practical working of it, it has to be ensured that applications under the proposed Section 107A are dealt

with expeditiously to enable companies to comply with the requirements of Section 210 of the Companies Act.

#### 10. CLAUSE 27—AMENDMENT OF SECTION 109.

10.1 The clause seems to call for a drafting change. The clause proposes to omit sub-clause (2) in Clause (iii) of Section 109, which would mean that no statutory percentage will be prescribed in the case of a company whose business consists wholly in the manufacture or processing of goods. However, in explanation 2 of Section 2(18), reference to clause (2) of sub-section (iii) of Section 109 continues. Therefore, in effect, the proposed change in Section 109 makes the explanation of Section 2(18) meaningless. It also has the effect of increasing the rate of tax, because such companies would now no longer fall under the definition of "companies in which the public are substantially interested". It is submitted that the defect in the drafting could be removed by retaining clause (2) of Section 109 (iii) and changing the figure "45 per cent" to "nil".

#### 11. CLAUSE 33—SECRECY PROVISIONS.

11.1 It is submitted that the removal of the secrecy provisions is not a step in the right direction, as it would only involve opening of a flood gate of enquiries and growth of professional informers, which would add to the difficulties of the administration. My Council is one with the Government in that there should be free exchange of information between the various departments of the Government so that tax evaders are brought to book. But the changes made with regard to the secrecy provisions in the Act of 1961 are wide enough and it is too early to effect any further drastic changes. My Council submits that the proposed changes are likely to seriously disturb the confidence of foreign investors who are not accustomed to lack of secrecy in tax matters. This aspect of the issue is of utmost importance in the present economic context. In any case, officers of the rank below that of the Commissioner of Income-tax, should not be authorised to provide any information to outsiders. In addition, only information with regard to the quantum of tax should be disclosed and in the administration of the provision, it should be ensured that the assessees are enabled to maintain their trade secrets.

11.2. Apart from the above, the manner in which the Act is sought to be amended discloses an anomalous position. After the proposed omission of Section 137 and, in particular, Section 280, all the taxing authorities will have power to disclose particulars to anybody, while the powers in this respect of the Commissioner of Income-tax are restricted by proposed amendment to Section 138. This position needs to be rectified.

#### 12. CLAUSE 34—SELF ASSESSMENT.

12.1. It is submitted that the proposed scheme is not likely to be an improvement on the scheme of provisional assessments already obtaining under the Act. It would add to costs of representation in tax matters as even assessees having income other than business will have to seek professional help for complying with the requirement of Self-assessment. While the aim of the scheme is to secure collection of tax earlier than normal period now existing, it is doubtful whether the intended result could be immediately achieved.

12.2. It is submitted that, in a large number of cases, the assessees would require help in the matter of calculating the tax due on the quantum of return, the composition of which may be quite varied in nature. Apart from difficulties in calculation, the assessees have also to collect challans for effecting payments. Unless requests of the assessees in respect of these two matters are attended to speedily, collection of tax would be delayed. The delay might well go beyond the thirty days within which the assessees are required to pay the tax. Therefore, it is submitted that, apart from securing prompt attention being paid to the requests of the assessee, in calculating the period of thirty days the time taken for the issue of the Department's reply to the assessee's queries on the quantum of tax due on the basis of the returns filed as well as issue of challans should be excluded.

12.3. This clause provides for the assessee paying tax within thirty days of his filing the return of income. Thus the starting point of his liability is the date on which he files his return under Section 139. Now, under Section 139(1), an assessee is required to submit the return within six months of the close of the financial year or 30th June, whichever is later, while sub-section (2) gives the Income-tax Officer discretionary power to call for submission of return within 30 days of his notice. To avoid hardship, it is necessary to provide against the tendency likely to arise now for resorting indiscriminately to Section 139(2) with a view to speeding up collection of tax. Necessary executive instructions need to be issued in this regard.

12.4. To secure uniformity in approach as well as avoidance of delays, the possibility of establishing a special cell in each Commissioner's charge, manned by experienced officers, who would be instructed strictly to avoid interpreting the contents of the return but to merely calculate the tax on the basis of such returns and issue challans, would be a move in the right direction. The feasibility of issuing challans along with the return itself may also be considered.

12.5. A matter which must gain immediate attention is to see that the casting of the additional responsibility on the assessee does not lead to delays in completion of final assessment, as the incentive for completing them is likely to be less where the due amount of revenue gets collected on the basis of self-assessments by assesses. Therefore, though we are doubtful whether, in the light of the existing law relating to provisional assessments, there is need at all for the new provisions, my Council submits that its success, in any case, would depend upon the degree of promptitude on the part of the Department in attending to the queries from the tax-payers.

### 13. CLAUSE 40—ONUS OF PROOF AND PENALTY.

13.1. My Council submits that the changes proposed are too far reaching and quite revolutionary in character. The omission of the word "deliberately" would rope in assesseees for penal action even in instances where in accurate particulars had been given inadvertently. It is, therefore, submitted that the word "deliberately" may be retained in the Section.

13.2 The introduction of the suggested explanation would add greatly to the difficulties of assesseees. There can be several contingencies in which differences of opinion between tax-payers and the Department can arise, and penalise the assesseees merely because there happens to be more than a 10 per cent difference between the income returned and the income assessed would be most arbitrary. The provision would seem to cover even estimated assessments. It would add greatly to the difficulties of assesseees and it is therefore submitted that the proposal to introduce this explanation may be dropped and the burden of proof in such matters should continue to be with the Department as at present.

### 14. CLAUSE 44—ANNUITY DEPOSITS.

14.1 The Implementation of the scheme of Annuity Deposits, which is aimed at increasing savings, is beset with innumerable administrative problems. It would entail the maintenance of detailed records by both the Departments and the depositors. The scheme envisages the determination by the Income-tax Officer of the quantum on the basis of the latest completed assessment year and the fixing of the instalments. Unless the determination of the quantum occurs sufficiently early during the year in which deposits are to be made, the number of instalments in which the payments could be made gets necessarily reduced. This aspect of the problem is an important one.

14.2 It also needs to be clarified whether when it comes to repayment, the characteristic content of the deposit returned should be taken into account or not. Unless this is done, it would lead to items of income subjected to income-tax at preferential rates during the year of deposit being taxed at the higher rates at the time when deposits are being returned. To give one example, capital gains are taxed at a preferential rate compared to the rates of tax on other types of income. Capital Gains also form part of total income for the purpose of calculating Annuity Deposit and if the return of deposit is to be treated as taxable income along with other items of the income of the year irrespective of its composition, the preferential treatment granted at the initial stage gets lost completely. If the fact that by and large capital gains arise out of transactions which are not of frequent occurrence and are quite often engaged for the purpose of liquidating debts and meeting commitments, including payments of tax, is taken into account the hardship involved would be more clear.

14.3 Continuance of the preferential treatment even at the time of repayment would be a result difficult to achieve and would involve quite a series of detailed calculations. Therefore, it is submitted that the possibility of excluding capital gains from the total income altogether may be explored. If, however, this does not find favour, detailed instructions may be immediately issued to obtain the continuance of the preferential rate of tax even at the time of return of the deposit.

14.4 Another aspect of this scheme which has a bearing on the volume of work involved is the indefinite nature of a finality regarding the quantum of deposit to be made, as it depends upon the total income of an assessee which itself gets modified in appeals, revisions and references. Stay in the collection of deposits in instances of dispute before appellate and revisionary authorities

till a finality is reached with regard to the total income would be a step in the right direction. Issue of instructions on these lines may be considered.

14.5 Difficulties may arise for the advance payment of annuity in instances where assessee have already paid the last instalment of advance tax on the 1st/15th March 1964 in respect of the assessment year 1964-65. Instructions need to be issued that in such cases the excess of income tax and super tax paid by way of advance tax should be adjusted against the annuity deposit and the assessee should be allowed to make good the balance of the annuity deposit in case of a shortfall on completion of his assessment for the assessment year 1964-65 or by 1st March 1965, whichever is earlier.

14.6. The Annuity Deposit being a deduction from the total income, it requires to be clarified as to how rebate on the partner's share in the tax in a registered firm is to be calculated. For example, if a partner of a registered firm has an income of Rs. 40,000 and his share of tax in the registered firm is Rs. 4,000, his tax liability can be worked out in the following two alternate ways:—

(a) Total income	Rs. 40,000
Less Annuity deposit	3,000
	<hr/>
Taxable Income	37,000
Income-tax and Super Tax on Rs. 37,000	A
Less Rebate on share of tax in Registered Firm	$4,000 \times A$
	<hr/>
	37,000
(b) Total income	40,000
Less Annuity deposit	3,000
	<hr/>
Income-tax and Super Tax on Rs. 37,000	A
Less Rebate on share of tax in Registered Firm	$(37 \times 4,000) \times A$
	<hr/>
	40
	<hr/>
	37,000

It would be unfair if the Department adopted the method (b) as this would be an additional burden on the partners of a registered firm.

14.7. Administrative complications are likely to arise in taxing the repayment of the annuities in the first year of repayment in instances where the individual's original assessments are not final and conclusive. In such instances, the total amount of annuity due to be deposited cannot be ascertained and, therefore, the amount added to the following year's income as a first instalment of repayment will also remain indeterminate.

14.8. Difficulties which would be faced by a large number of assessee who have already taken up policies of insurance and/or have been contributing substantially to Provident Funds have to be taken into consideration in this context. The total amount of savings that assessee, especially those in the salaried class, can make during the course of a year out of their total income is necessarily limited. Therefore, a compulsion with regard to savings in the form of Annuity Deposits is likely to result in a reduction in the quantum of savings sought to be encouraged by the provisions of Section 87 of the Act. To that extent, even the welcome concession of a rebate even for Super Tax is not likely to serve as an incentive and add to voluntary savings.

14.9. A concrete suggestion which my Council would like to make in this behalf is that the savings effected in the form of life insurance premium payments and contributions to Provident Funds may be allowed to be deducted from the total amount of Annuity Deposit under Section 44 of the Act if an assessee chooses to do so.

14.10. Another suggestion which my Council desires to make is that every assessee may be granted an option to postpone withdrawal of the sums deposited by him for periods even exceeding 10 years. Such a procedure would help in providing a kind of retirement benefit to assessee in general. In particular, it would be of help to the self-employed group of assessee who do not gain any deduction from their total income at present of sums set apart for retirement benefits. In addition, the rights provided in Section 280(u) may be extended to all types of economic pursuits. Loss of revenue resulting from these measures

is not likely to be very substantial. In addition, while this would be an effective disinflationary measure, it would also ensure Government deriving the advantage of using the sums deposited for a longer period of time.

14.11. For avoiding the necessity of maintaining records both by the Department and the assessee, the feasibility of such savings being invested in existing securities, certificates or deposits of the Central Government may be considered.

#### 15. DIVIDEND TAX.

15.1. Part II of the First Schedule in paragraph A proposes levy of a tax at the rate of 7.5 per cent in the case of existing companies which have declared or distributed to their shareholders during a previous year any dividend other than dividends on preference shares. It needs to be made clear whether both the declaration and the actual distribution date are to be taken into account. The position could be clarified by the following example. Suppose a Company which closes its accounts on the 31st of December every year, declares a dividend in the last week of December 1962 and distributes it in the first week of January 1963. Is this to be taxed at  $7\frac{1}{2}$  per cent in the assessment year 1963-64 or 1964-65? Use of both the terms "declaration" and "distribution" would give rise to considerable controversy if both are to be taken into account. Therefore, it is submitted that the Department should go by the declaration date to avoid confusion in the future.

15.2. Another aspect of this tax which leads to considerable hardship arises from its retrospective effect. Companies wholly engaged in manufacturing, which, not being aware that they are no longer required to distribute dividends compulsorily, would have distributed dividends to comply with the legal requirements existing at that time. For having complied with the provisions of Section 104, they would now be subjected to an additional levy. This could not have been the intention. Therefore, it is submitted that this provision should not have retrospective effect, but should be applicable only in respect of dividends declared after 29th February 1964.

#### 16. ESTATE DUTY.

16.1. My Council submits that in effecting payments of Estate Duty in the light of the new provisions, it might entail sale of assets leading to the accrual of capital gains. It would indeed be a great hardship if the assessee is to be subjected to a levy of capital gains tax in such a situation. To avoid hardship, my Council submits that provision should be made to enable the transfer of assets to the Department as a payment in specie and that such surrenders to the Department for tax are not considered as "transfers" for purposes of levying Capital Gains Tax. In addition, it is submitted that the full amount of probate duty should be allowed as a deduction, as was the procedure obtaining prior to 1961.

#### 17. EXPENDITURE TAX.

17.1. In view of the far reaching changes proposed to be made in regard to Expenditure Tax, it is submitted that expenditure incurred prior to 1st April 1964 should not be subject to this impost. In addition, it is submitted that extra allowance in respect of a married man and a man with dependents as opposed to single individuals should be made available. My Council also submits that the proposal to tax expenditure out of entertainment allowances not subject to income-tax, is illogical, when such expenditure is allowed for income-tax purposes as expenditure incurred wholly and exclusively for purpose of the business.

17.2. Attention is drawn to a drafting defect in respect of the Bill. The Finance Minister had indicated that the Act has been redrafted so as to attract expenditure tax on all expenditure above Rs. 36,000 per annum, no matter from which sources the money or expenditure came. However, the charging section of the Act has not been amended with the result that a levy of tax on expenditure exceeding Rs. 36,000 continues to be possible only where the income after tax exceeded Rs. 36,000.

#### 18. SURTAX BILL.

18.1. The Bill contains provisions regarding provisional assessment identical to those which existed in the Super Profits Tax Act. The wording of this particular clause is ambiguous and because of this, the Department has been completing provisional assessments almost unilaterally without giving any weight to



the assessee's contentions. There is also a tendency on the part of the officers to delay completion of assessment. It is, therefore, suggested that provisional assessments for surtax may also be made on the basis of the income returned by the assessee as in the case of income-tax assessment.

18.2. Divided tax payable by a company is not a deduction for arriving at the chargeable profits for Surtax purposes. This would mean company paying surtax on the dividend tax paid by it. This position needs to be remedied.

18.3. Another difficulty is with regard to the nature of the loans included in the capital base. The Bill provides for inclusion of only loans repayable over a period of more than 10 years. It is our experience that such loans are extremely rare. Therefore, it is submitted that *all* bank loans irrespective of the period involved should be included in capital.

18.4. All reserves appearing on the face of the Balance Sheet created out of profits or sale of assets are to be included, excluding any reserves created on revaluation of assets. My Council submits that the reduction of other reserves "by the amount credited to such reserves as have been allowed in computing profits for the purposes of the Indian Income-tax Act 1922 or the Income-tax Act 1961" is unnecessarily restrictive. After all, reserves appearing on the face of the Balance Sheet (excluding reserves created on revaluation of fixed assets) are actually employed in the business, irrespective of the fact whether the same have been allowed or not in computing profits for the purposes of the Indian Income-tax Act 1922 or the Income-tax Act 1961.

18.5. Explanation to Rule 1 of the Second Schedule to the Surtax Bill states that under item 6, proposed additions to reserves under the heading "Reserves & Surplus" in Part I of the Sixth Schedule to the Companies Act should not be included in capital. The explanation is quite ambiguous and requires clarification. This provision would appear to have the effect of not including in the capital of the following year additions to the reserves for the previous year. As an example, take the case of a company whose year ends on 31st December 1963 in which it transfers a sum to General Reserves. It would appear that such a sum would not be includable in the capital for surtax purposes in respect of surtax for the year commencing on 1st January 1964. This is clearly an inequitable result and needs to be remedied.

18.6. The provisions of clause 2 of explanation 2 state that the amounts standing to the credit of the share premium account which is *received in cash* should form part of the paid up share capital. This is too restrictive a provision. In instances of amalgamation or of foreign collaboration with existing units which have been making substantial profits continuously, consideration is often paid in the shape of credits to premium account in addition to shares allotted, and not necessarily in cash. It is not clear from the provision as it stands now whether share premia on shares issued against import of plant and machinery against outstanding loans can be included under this definition. After all, transactions of this type, are effected after gaining prior governmental approval. Therefore, it is submitted that it should be clarified that amounts credited to the share premium account for any valuable consideration previously approved by the Government would also be treated as paid-up capital.

#### APPENDIX 'M'

(Reference Section VIII E of the Report)

#### ACCOUNTING AND AUDITING PRACTICES STATEMENT ISSUED BY RESEARCH COMMITTEE OF THE INSTITUTE

Statement No. 1/63—September, 1963.

For the Guidance of Members in Future

Recommendation as to the best practice of presentation of information in cases of non-provision for taxation in spite of profits having been made in a year because of past losses.

Recently, a few cases have come to the notice of the Research Committee in which certain companies, despite profits having been made by them in a particular year, have neither made any provision for income-tax, nor have disclosed the reasons, by way of a note on their published accounts as to why the provision had not been made.

Provision for tax is a charge against the profits of the year and according to paragraph 3(vi) of Part II of Schedule VI, the Profit & Loss Account is required to set out "the amount of charge for Indian income-tax and other Indian taxation on profits, including where practicable, with Indian income-tax any taxation imposed elsewhere to the extent of the relief, if any, from Indian Income-tax and distinguishing, where practicable, between income-tax and other taxation."

The Research Committee is of the view that according to the best standards of presentation of information, as well as, in the context of the requirement to present a 'true and fair' view of the profit for the year, it is desirable for every company, disclosing a credit balance in its Profit and Loss Account, wherein a provision for the liability on account of taxation has not been made, to state by way of a note the reasons as to why this has not been done.

Such a situation, generally, would arise on account of the existence of past unabsorbed losses and/or unabsorbed depreciation and/or development rebate. It would thus be a case where an advantage is being taken in the year in question in respect of something which had happened in the past. In other words, the events of the past would project themselves into the present Profit and Loss Accounts, making it unnecessary for the company to provide for taxation. Where such circumstances prevail, the Research Committee is of the view that a note on the accounts should be given on the following lines, subject to such modifications as may be necessary to suit the circumstances of each case:

"Provision for tax on profits of the year would have been Rs. ...., but because of past unabsorbed losses and/or depreciation and/or unabsorbed development rebate, it is not expected that the company will be called upon to pay any tax and therefore no provision in this respect has been made in the accounts."

#### APPENDIX 'N'

(Reference Section VIII E of the Report)

#### (a) TREATMENT IN ACCOUNTS OF TAXATION AND PROPOSED DIVIDEND

1. In a recent letter addressed to the President by the Ministry of Finance, Department of Revenue, Company Law Division, it was stated that there has been a tendency on the part of several companies not to debit the Profit and Loss Account with the amount of the provision for taxation as well as the dividend proposed by the Directors for the relevant year. Instead the whole amount of net profits (before making provision for taxation and dividend) is transferred to the credit of General Reserve with a note appended to the Balance Sheet and/or Profit and Loss Account stating the figure of the estimated tax liability in respect of the year's profit and indicating that it would be payable out of the General Reserve as and when the assessment is made. It was also mentioned in the letter that a similar note is given in respect of the dividends recommended by the Board.

2. It was mentioned in the same letter that it was possible to take the view that failure to make provision in the Profit and Loss Account for the tax liability and dividend recommended by the Board would be in contravention of the requirements of Section 211 read with Schedule VI to the Companies Act, and the accounts which did not make such provisions would not represent a 'true and fair' view of the state of affairs of the company concerned. This view is held by the Company Law Division of the Ministry of Finance, but they have in fairness pointed out that a contrary view has also been urged in some quarters that the presentation of the annual accounts in the aforesaid manner did not contravene any of the provisions of the Companies Act, having regard to the fact that there can be no tax liability until the particular income-tax assessment is made; and with regard to dividend it would become a liability only after it has been declared in the Annual General Meeting.

3. The Institute was requested to consider these views in the context of established principles of accountancy and commercial practice and to give suitable directions to the members of the profession. The above matter was very carefully considered by the Research Committee at its meeting held on 29th November, 1963 and the views of the Committee are as under:

(a) The Committee was in agreement with the view that provision for the anticipated tax on the profits of the year should be made in the Accounts irrespective of the fact that the Finance Act for the succeeding assessment year may not have been enacted. This view is based on the premise that taxes on income

are something which, but for a possible variation in the rates, are with us for all time to come, and the mere fact that the Finance Act has not been enacted, should not except for the determination of the rates stand in the way of a company making a provision for the anticipated tax.

(b) With regard to the matter of the non-provision of the proposed dividend, the correct position in the view of the Research Committee is that the proposed dividend does not represent a liability nor does it amount to a provision, pending the approval of the shareholders in General Meeting. Since the meeting to approve the Accounts would take place after the Balance Sheet date, there could not be any liability in respect of the proposed dividend on the date of the Balance Sheet. The Committee feels that merely because the form requires proposed dividend to be shown under "Current Liabilities and Provisions", it does not mean that in fact the proposal for the dividend becomes a liability or is necessarily a provision. The Committee would draw attention to the forms of accounts laid down under the Insurance Act, 1938 and the Banking Companies Act, 1949, in both of which, it is not a requirement to show "proposed dividends" by either Insurance Companies or Banking Companies, and it cannot be contended that merely because "proposed dividend" is not shown in the accounts, that the accounts of Insurance and Banking Companies do not disclose a 'true and fair' view.

(c) Since, however, the form of Balance Sheet prescribed in Part I of Schedule VI requires "proposed dividends" to be shown under 'Provisions', and since paragraph 3(xiv) of Part II of the same Schedule requires the "proposed dividends" to be disclosed, the Committee feels that, though on correct accounting principles, the proposed dividend does not become a liability for reasons mentioned above, the attention of the shareholders would have to be drawn to the fact that no appropriation has been made for the proposed dividend.

(d) It should be appreciated that an auditor can only recommend to his client the best practice in accountancy, but cannot enforce his views on the client because the accounts are prepared by the client and placed before the auditor for his report. As members are aware, the auditor's responsibility is to report on the accounts in terms of Section 227 of the Act and if the accounts do not show 'true and fair' view or do not give the information required by the Act to be given in the manner required, it would be the duty of the auditor to qualify his report and point out in what manner the accounts do not disclose a 'true and fair' view of the state of affairs of the company, or in what manner the required information has not been given. If the Directors insist that "proposed dividends" should not be disclosed or even take the view that the tax provision should not be made but the whole of the balance of profit should be taken to the "General Reserve", the auditor's duty would be to bring these matters to the attention of the shareholders by qualifying his report.

#### (b) MAINTENANCE OF UNDULY HEAVY CASH BALANCES BY COMPANIES

It has been brought to the notice of the Institute that during recent inspections of books of accounts of some companies by the Registrars of Companies under sub-section (4) of Section 209 of the Companies Act, 1956, large cash balances had been maintained far in excess of their normal and current business needs. In spite of these large cash balances, it was noticed that further amounts were withdrawn from banks for meeting comparatively smaller cash requirements. While it cannot be argued that companies should not have adequate cash in hand, particularly at outlying places where banking facilities are not available, the amount of cash held should have some relation to the current needs of the business.

In certain cases it has been observed that the large amounts of cash drawn were utilised unauthorisedly by persons incharge of the management of the companies concerned without the payments being recorded in the Cash Book. These instances came to the notice of the auditors when a surprise count of the cash was made and it was found that the balance shown in the Cash Book as "Cash on hand" was not in possession of the Company.

It is, therefore, suggested that if during the course of the audit, it comes to the attention of the Auditor that the Company is in the practice of consistently maintaining an unduly large balance of cash on hand, he should make a surprise verification to ascertain whether the actual cash on hand agrees with the balance as shown by the books. If the cash on hand is less than the balance as shown in the books, it would be his duty to draw the attention of the shareholders to this fact in the audit report. In any case, he should satisfy himself regarding the necessity for such large balances having regard to the normal working requirements of the Company.

## APPENDIX 'O'

(Reference Section IX E of the Report)

PRESIDENT  
THE INSTITUTE OF CHARTERED  
ACCOUNTANTS OF INDIA

P.B. No. 268,  
Indraprastha Marg,  
New Delhi-1.

## IMPORTANT ANNOUNCEMENT

22nd February 1964.

Dear Member,

*Re: Forthcoming Elections to the Central and Regional Councils.*

I may invite your attention to the Institute's Notification No. 54-EL(1)/7/64 dated 13th February 1964 published in Part III Section 4 of the Gazette of India dated 22nd February 1964 and the Announcement in the Institute's Journal for the month of March, 1964, regarding the dates of the forthcoming elections to the Central and Regional Councils.

In order to enable the voters to know the names of the members standing for elections, a list of the candidates contesting the elections from various Regions will be sent to all voters by the Institute's office as soon as the scrutiny of nominations is finalised.

Members' attention is invited to Regulation 54A of the Chartered Accountants Regulations (copy enclosed), which provides for disciplinary action against members under certain circumstances in connection with the conduct of elections.

The Council feels that, in addition to the requirements under this Regulation, the candidates should refrain from all such practices as undermine honour and dignity of the profession. The Council therefore, solicits the support of members to help in conducting the elections in a spirit of dignity and decorum.

It is felt that the candidates could best bring to the attention of the voters their qualifications by taking active interest in professional activities like contributions through the journal of the Institute, participation in Seminars, meetings and discussions and through assistance in other activities of the Institute like promotion of research, rather than through direct or indirect canvassing.

It has, therefore, been decided that any attempt at canvassing through issue of manifestoes, circulars, etc., should be considered as "misconduct" under the Chartered Accountants Act, rendering the members concerned liable for disciplinary action. The Council has issued a notification to that effect being Notification No. 1-CA(34)/64 dated 22nd February 1964 (copy enclosed).

The Council reiterates its earnest appeal to every member of the Institute to co-operate in implementing this decision of the Council and to ensure that the forthcoming and the future elections to the Central and Regional Councils are conducted in a manner worthy of a learned profession, with all decorum and highest ethical standards.

Yours sincerely,

R. C. COOPER,  
President.

## ENCLOSURE I

## THE CHARTERED ACCOUNTANTS REGULATIONS

1949

Regulation 54A. "Disciplinary action against member in connection with conduct of election,

A member of the Institute shall be liable for disciplinary action by the Council if he adopts one or more of the following practices with regard to the election to the Council, namely:

(1) Bribery, that is to say, any gift, offer or promise by candidate or by any other person with the connivance of a candidate, of any gratification to a person whomsoever, with the object, directly or indirectly of inducing—

(a) a person to stand or not to stand as, or to withdraw from being a candidate at an election; or

(b) an elector to vote or refrain from voting at an election or as a reward to—

(i) a person for having so stood or not stood, or for having withdrawn his candidature; or

(ii) an elector for having voted or refrained from voting.

*Explanation:* For the purpose of this clause the term "gratification" is not restricted to pecuniary gratifications or gratifications estimable in money, and it includes all forms of entertainment and all forms of employment for reward; but it does not include the payment of any expenses bonafide incurred at, or for the purpose of any election.

(2) Undue influence, that is to say, any direct or indirect interference or attempt to interfere on the part of a candidate or of any other person with the connivance of the candidate with the free exercise of any electoral right:

Provided that—

A declaration of policy or a promise of a particular action, or the mere exercise of a legal right without intent to interfere with an electoral right, shall not be deemed to be interference within the meaning of this clause.

(3) The publication by a candidate or by any other person with the connivance of the candidate, of any statement of fact which is false, and which he either believes to be false or does not believe to be true, in relation to the personal character or conduct of any candidate, or in relation to the candidature or withdrawal of any candidate, being a statement reasonably calculated to prejudice the prospects of that candidate's election.

(4) The obtaining or procuring or abetting or attempting to obtain or procure by a candidate or by any other person with the connivance of a candidate, any assistance for the furtherance of the prospects of the candidate's election from any person serving under the Government of India or the Government of any State other than the giving of vote by such person, if he is a member of the Institute entitled to vote.

(4A) The hiring or procuring, whether on payment or otherwise of a vehicle by a candidate or by any other person with the connivance of a candidate, for the conveyance of electors.

(4B) The canvassing for votes, or soliciting the vote of any elector or persuading any elector not to vote for any particular candidate, or persuading any elector not to vote at the election, or exhibiting any notice or sign board (other than an official notice) relating to the election, by a candidate or by any other person with the connivance of a candidate within a distance of 200 meters from a polling booth.

(5) Any act specified in clauses (1) to (4B) above, when done by a member of the Institute who is not a candidate or a member acting with the connivance of a candidate.

(6) The receipt of, or agreement to receive, any gratification whether as a motive or a reward—

(a) by a member for standing or not standing, as, or withdrawing from being, a candidate; or

(b) by any member whomsoever for himself or any other person for voting or refraining from voting, or for inducing or attempting to induce any elector to vote or refrain from voting, or any candidate to withdraw his candidature.

(7) Contravention or misuse of any of the provisions of this Chapter or making of any false statement knowing it to be false or without knowing it to be true while complying with any of the provisions of this Chapter."

#### ENCLOSURE II

New Delhi

22nd February 1964.

#### NOTIFICATION

##### (Chartered Accountants)

No. I-64(34)/64.—In exercise of the powers conferred by clause (ii) of Part II of the Second Schedule to the Chartered Accountants Act, 1949, the Council of the Institute of Chartered Accountants of India specifies that a member of the Institute shall be deemed to be guilty of misconduct, if, in connection with election to the Central and/or Regional Councils of the Institute, he is found to have taken part, directly or indirectly, either himself or through any other person, in any of the following activities:—

1. issuing manifestoes or circulars;
2. canvassing votes by visiting places of business or residence of the voters or in any other manner; and
3. organising parties to entertain voters.

C. BALAKRISHNAN,

Secretary.

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA,  
NEW DELHI**

*Balance Sheet as at 31st March, 1964*

31-3-1963 Rs.	FUNDS AND LIABILITIES	Rs.	31-3-64 Rs.	31-3-1963 Rs.	PROPERTY AND ASSETS	Rs.	31-3-1963 Rs.
	<i>I. General Reserve Account</i>				<i>I. Fixed Assets</i>		
17,72,267	Balance as at 31-3-1963 . . . . .	19,06,055		18,07,547	Per Schedule 'C' annexed . . . . .		19,05,330
	Add: (a) Grant from Government to- wards cost of Regional Build- ings transferred . . . . .	3,41,821					
	(b) Entrance Fees per Schedule "A" annexed . . . . .	1,68,584					
1,25,199							
18,97,466		24,16,460					
NIL	Less : (a) Transfer to Resear- ch Fund . . . . .	Rs. 359					
(Excess of Income)	(b) Excess of Exp- enditure over Income, per Income & Expenditure Account Annex ed . . . . .	24,481					
(+) 8,590		24,840					
(+) 8,590			23,91,620				
19,06,056							
	<i>II. Grant from Government for Purchase of Regional Buildings</i>				<i>II. Investments at cost</i>		
3,41,821	Balance as at 31-3-1963 . . . . .	3,41,821		12,69,819	Per Schedule 'D' Annexed . . . . .		13,12,573
NIL	Less Transfer to General Reserve Account . . . . .	3,41,821			Face Value . . . . .	Rs. 13,13,445	
3,41,821			NIL		Market Value Quoted . . . . .	Rs. 9,93,860	
					Unquoted . . . . .	Rs. 3,03,445	

3-3-1963 Rs.	FUNDS AND LIABILITIES	Rs.	31-3-64 Rs.	31-3-1963 Rs.	PROPERTY AND ASSETS	Rs.	31-3-1963
	<i>III. Research Fund</i> (Part invested per contra)				<i>III. Research Fund Investments, at Cost</i>		
5,69,641	Balance as at 31-3-1963	5,69,641		5,49,913	Per Schedule 'E' annexed		5,49,913
NIL	Add Transfer from General Reserve Account	359			Face Value	Rs. 5,84,800	
5,69,641			5,70,000		Market Value	Rs. 5,33,201	
	<i>IV. Education Account</i>				<i>IV. Medals, &amp; Prizes, Fund Investments, at Cost</i>		
4,610	Balance as at 31-3-1963	4,610		25,004	Per Schedule 'F' Annexed		35,028
NIL	Add : Sale of Income-Tax Seminar Report	66	4,676		Face Value	Rs. 40,700	
4,610					Market Value	Rs. 31,526	
	<i>V. Coaching Board Fund</i>				<i>V. S. Vaidyanath Aiyar Memorial Fund Investment, at Cost</i>		
	Balances as at 31-3-1963			12,038	Per last Balance Sheet	12,038	
	Rs. 75,000 (a) Amount allocated by the Council	75,000			Less Transferred to Society as per contra	12,038	NIL
1,50,000	Rs. 75,000 (b) Grant from Government	75,000	1,50,000				
	<i>VI. Medals &amp; Prizes Fund</i>				<i>VI. Miscellaneous Expenses for Implementation of Coaching Scheme</i>		
27,124	Per Schedule 'B' Annexed		37,399	8,306	Per last Balance Sheet	8,306	
					Less : Written off during the year	4,469	3,837
					<i>VII. Advance to students' Association for Purchase of Library Books</i>		2,500
					Nil		
	<i>VIII. S. Vaidyanath Aiyer Memorial Fund</i>				<i>VIII. Current Assets</i>		
12,922	Balance as at 31-3-1963	12,922			(i) Stock of		
	Less : Transferred to separate Society under the above name, registered during the year under the Societies Registration Act.	12,922	NIL	55,971	Rs. 22,459 (a) Publications at cost	Rs. 35,214	
					Rs. 33,512 (b) Paper & Stationery at cost	26,485	61,699
12,922					(2) Debtors (Unsecured)		
					16,135 (a) Considered good	65,960	



VIII. Developmental Activities Account

(a) Professional Developmental Account			
Rs. 15,000	Balance as at 31-3-63	15,000	
	Less : Expenditure	14,896	104
Rs. 50,000	(b) Publication Account . Balance as at 31-3-63		50,000
	(c) Regional Councils Libraries Fund Account.		4,32,729
Rs. 63,287	Balance as at 31-3-63	Rs. 63,287	
	Additions during the year	Rs. 2,033	65,320
1,48,287	(d) Research in 'Price fixation' Account.		
Rs. 20,000	Balance as at 31-3-1963		20,000
			1,35,424

IX. Liabilities

1. Fees and Subscriptions received in Advance.

Rs. 75,596	(a) Membership	1,47,200
Rs. 1,70,596	(b) Examinations	1,88,332
Rs. 5,418	(c) Journal	6,350
Rs. 5,635	(d) Revision Course	8,140
Rs. 5,77,311	(e) Tuition fees	Rs. 7,04,611

17,431	Rs. 1,296	(b) Considered doubtful	1,296
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Less :

		Provision against doubtful debt	Rs. 1,296	nil	65,960
(3)	Rs. 4,730	(a) Security and other deposits		7,755	
7,647	Rs. 2,917	(b) Staff Security deposit investment at cost		3,442	11,197
	36,498	(4) Advances and repayments			49,277
	21,023	(5) Interest accrued			18,130
		(6) Cash and Bank Balances :			
	3,790	(a) Cash & Stamps in hand	Rs. 2,737		
		(b) In current a/cs. with the Bankers	Rs. 5,07,600	5,10,337	7,16,600
2,94,159	2,90,369	Including :			
		(a) Rs. 6,421 &			
		(b) Rs. 3,033 respectively marked for			
		(a) 'Research &			
		(b) 'Medals & Prizes' Funds).			

31-3-1963 Rs.	FUNDS AND LIABILITIES		Rs.	31-3-1964 Rs.	31-3-1964 Rs.	PROPERTY AND ASSETS		Rs.	31-3-1964 Rs.
	<i>Less : Tuition fee Instalments</i>								
7,56,568	Rs. 4,99,323	77,988	recoverable	Rs. 1,19,416	5,85,195				
2,917	2. Staff Security Deposit (Invested per contra).			3,221					
	3. Creditors:								
	Rs. 75,041	(a) For expenses		Rs. 1,96,442					
1,85,510	Rs. 1,10,469	(b) Others		Rs. 1,01,782	2,98,224	12,36,662			
41,05,756	TOTAL			45,25,781	41,05,756	TOTAL			45,25,781

S. R. SIRCAR,  
Chief Accountant.

C. BALAKRISHNAN,  
Secretary

RAGHUNATH RAI,  
Vice-President.

R. C. COOPER,  
President.

P. R. MEHRA, M.R. VENKATARAMAN,  
Chartered Accountants.  
Auditors.

NEW DELHI : 13th September, 1964.

#### AUDITORS' REPORT

We have audited the Balance Sheet as at 31st March, 1964 of the Institute of Chartered Accountants of India and also the annexed Income and Expenditure Account for the year ended on that date incorporating Assets and Liabilities of Coaching Board and audited accounts of the Regional Councils and report that :—

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. The Balance Sheet and the Income and Expenditure Account dealt with by the report are in agreement with the books of Accounts.
3. In our opinion the accounts are maintained in conformity with the requirements of the Chartered Accountants Act, 1949.
4. In our opinion and to the best of our information and according to the explanations given to us the statements with the schedules attached and annexures thereto, give a true and fair view :—

- (i) in the case of the Balance Sheet, of the State of affairs as on 31st March, 1964; and
- (ii) in the case of the Income and Expenditure Account of the income for the year ended on that date.

NEW DELHI: 14th September, 1964.

P. R. MEHRA, M. R. VENKATARAMAN,  
Chartered Accountants,  
Auditors.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, NEW DELHI

*Annexure to Balance Sheet.*

## SCHEDULE 'A'

*Schedule of Entrance Fees as on 31st March, 1964.*

Rs. Rs.

(a) *FELLOWS:*

Received during the year 1st April, 1963 to 31st March, 1964	36,800
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(b) *ASSOCIATES:*

(i) Instalments due as on 31st March, 1963	76,555
--	--------

(ii) Recoverable during the year 1st April, 1963 to 31st March, 1964	1,82,100
--	----------

	2,58,655
--	----------

(iii) Less: Instalments due as on 31st March, 1964	1,26,871	1,31,784
--	----------	----------

	1,68,584
--	----------

S. R. SIRCAR,  
Chief Accountant.

C. BALAKRISHNAN, RAGHUNATH RAI,  
Secretary.

R. C. COOPER,  
Vice-President. President.

P. R. MEHRA, M. R. VENKATARAMAN,  
Chartered Accountants  
Auditors.

NEW DELHI ;

Dated 13th Sep., 1964.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, NEW DELHI.

*Annexure to Balance Sheet.*

## SCHEDULE 'B'

*Schedule of Medal and Prizes Fund as on 31st March, 1964.*

Sl. No.	Names of the Funds.	Endowments	Income earned		Total (Cols. 3 & 4) Rs.	Less : Cost of Medals & Prizes awarded	Balance
		Rs.		Rs.		Rs.	
1	2	3	4		5	6	7
1	G. P. Kapadia (1st President) Medal Fund	20,000	B/F For the Year	1,378 550	21,928	(Pre-paid) 420 420	21,088
2	Miss R. Sivabhogam Locket Fund	5,000	B/F For the Year	1,046 212	6,258	198	6,060
3	Sir Shapoorji Billimoria Prize Fund	10,024		427	10,451	200	10,251
TOTAL		35,024		3,613	38,637	1,238	37,399

S. R. SIRCAR,  
Chief Accountant.C. BALAKRISHNAN,  
Secretary.RAGHUNATH RAI,  
Vice-President.R. C. COOPER,  
President.P. R. MEHRA,  
CharteredM. R. VENKATARAMAN,  
Accountants,  
Auditors.NEW DELHI,  
Dated : 13th Sep. 1964.

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, NEW DELHI**

*Annexure to Balance Sheet.*

**SCHEDULE 'C'**

*Schedule of Fixed Assets as on 31st March, 1964.*

S. No.	Nature of Assets	C O S T			D E P R E C I A T I O N .							Book Value as on 31-3-64
		Upto 31-3-63	Additions	Total	Less Sold/Dis-carded	Total upto 31-3-64	Total upto 31-3-64	For the year	Total	Less on Assets sold/discarded	Total upto 31-3-64	
1	2	Rs. 3	Rs. 4	Rs. 5	Rs. 6	Rs. 7	Rs. 8	Rs. 9	Rs. 10	Rs. 11	Rs. 12	Rs. 13
1	Lease-Hold Land	2,158	..	2,158	..	2,158	..	..	..	..	..	2,158
2	Buildings at :		..		..							
	(a) New Delhi (Central Council)	4,50,997	7,798	4,58,795	..	4,58,795	1,31,602	7,997	1,39,599	..	1,39,599	3,19,196
	(b) Bombay (W.I.R. Council)	3,80,875	19,992	4,00,867	..	4,00,867	9,522	9,293	18,815	..	18,815	3,82,052
	(c) Madras (S.I.R. Council)	4,17,374	84,313	5,01,687	..	5,01,687	..	11,486	11,486	..	11,486	4,90,201
	(d) Calcutta (E.I.R. Council)	3,77,126	9,604	3,86,730	..	3,86,730	26,855	8,827	35,682	..	35,682	3,51,048
3	Electric Installations & Fittings	58,415	..	58,415	..	58,415	34,566	2,385	36,951	..	36,951	21,464
4	Air Conditioning Installations.	1,26,572	..	1,26,572	..	1,26,572	73,272	3,130	78,602	..	78,602	47,970
5	Furniture, Fixtures and safe at :				..							
	(a) New Delhi (Central Council)	1,61,418	3,896	1,65,314	223	1,65,091	60,573	6,521	67,094	124	66,970	98,121
	(b) Bombay (W.I.R. Council)	7,843	4,727	12,570	..	12,570	4,034	661	4,695	..	4,695	7,875
	(c) Madras (S.I.R. Council)	4,742	15,254	19,996	..	19,996	2,409	902	3,311	..	3,311	16,685

1	2	3	4	5	6	7	8	9	10	11	12	13
(d) Calcutta (E.I.R. Council)	24,156	275	24,431	..	24,431	5,808	1,834	7,642	..	7,642	16,789	
(e) U. P. (C.I.R. Council)	2,121	..	2,121	..	2,121	592	128	720	..	720	1,401	
(f) New Delhi (N.I.R. Council)	3,411	500	3,911	..	3,911	881	298	1,158	..	1,159	2,752	
6 Office Equipment at :												
(a) New Delhi (Central Council)	57,907	8,667	66,574	482	66,092	35,749	4,686	40,435	460	39,975	26,117	
(b) Bombay (W.I.R. Council)	1,519	..	1,519	..	1,519	1,132	58	1,190	..	1,190	329	
(c) Madras (S.I.R. Council)	2,111	59	2,170	..	2,170	463	270	733	..	733	1,437	
(d) Calcutta (E.I.R. Council)	6,594	..	6,594	..	6,594	3,517	461	3,978	..	3,978	2,616	
(e) U. P. (C.I.R. Council)	1,165	..	1,165	..	1,165	842	22	864	..	864	301	
(f) New Delhi (N.I.R. Council)	767	203	970	..	970	425	56	481	..	481	489	
7 Library Books at :												
(a) New Delhi (Central Council)	57,841	6,754	64,595	..	64,595	33,656	5,513	39,169	..	39,169	25,426	
(b) Do. (P. G. Course Library Books)	5,423	2,896	8,319	..	8,319	2,083	939	3,022	..	3,022	5,297	
(c) Bombay (W.I.R. Council)	25,122	8,261	33,383	..	33,383	16,473	2,598	19,071	..	19,071	14,312	
(d) Madras (S.I.R. Council)	8,629	8,222	16,851	..	16,851	5,495	926	6,421	..	6,421	10,430	
(e) Calcutta (E.I.R. Council)	13,360	7,284	20,644	..	20,644	7,504	1,180	8,684	..	8,684	11,960	
(f) U. P. (C.I.R. Council)	10,478	2,713	13,191	..	13,191	4,117	980	5,097	..	5,097	8,094	
(g) New Delhi (N.I.R. Council)	3,044	744	3,788	..	3,788	433	750	1,183	..	1,183	2,605	

8	Motor Car . . .	14,396	..	14,396	..	14,396	6,872	1,505	8,377	..	8,377	6,019
9	Cost of Acquiring copyrights .	48,915	2,100	51,015	..	51,015	29,443	5,102	34,545	..	34,545	16,470
10	Cost of Instructional Materials .	69,875	12,077	81,952	..	81,952	49,911	16,325	66,236	..	66,236	15,716
<hr/>		23,44,354	2,06,339	25,50,693	705	25,49,988	5,48,229	97,013	6,45,242	584	6,44,658	19,05,330

S. R. SIRCAR,  
Chief Accountant.

C. BALAKRISHNAN,  
Secretary.

RAGHUNATH RAI,  
Vice-President.

R. C. COOPER,  
President.

P. R. MEHRA,  
Chartered

M. R. VENKATARAMAN,  
Accountants  
Auditors.

NEW DELHI ;  
Dated : 13th Sep., 1964.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, NEW DELHI.

Annexure to Balance Sheet.

SCHEDULE 'D'

Schedule of Investments as on 31st March, 1964.

Sl. No.	Particulars	Cost	Face Value	Market Value	Interest accrued	Total (Cols. 3 & 6)
1	2	3	4	5	6	7
<i>Central Council</i>						
1	4% Ten Year Treasury Savings Deposit Certificates	50,000	50,000	..	1,639	51,639
2	12 Year National Defence Certificates	1,00,000	1,00,000	..	..	1,00,000
3	3% 1st Development Loan, 1970-75	46,625	50,000	45,125	692	47,317
4	4½% Madras State Development Loan, 1970	1,01,200	1,00,000	98,700	1,003	1,02,203
5	4½% Maharashtra State Development Loan, 1969	50,150	50,000	49,350	88	50,238
6	4½% Maharashtra State Development Loan, 1970	1,02,610	1,00,000	98,750	908	1,03,518
7	4½% Mysore State Development Loan, 1969	50,100	50,000	49,250	88	50,188
8	4½% Orissa State Development Loan, 1970	1,01,100	1,00,000	98,400	1,003	1,02,103
9	4% Madras Loan, 1968	49,425	50,000	49,325	156	49,581
10	3 months Short Term Deposit Receipt with State Bank of India, New Delhi	1,00,000	1,00,000	..	58	1,00,058
<i>Coaching Board</i>						
11	4½% Bombay State Development Loan, 1969	84,867	85,000	84,150	158	85,025
12	4% Madras Loan, 1968	24,525	25,000	24,662	79	24,604
13	4% Loan, 1973	50,208	50,000	49,575	767	50,975
14	4% West Bengal Loan, 1971	25,038	25,000	24,437	111	25,149
15	P. O. 12 Year National Plan Saving Certificates	40,000	40,000	..	6,400	46,400
16	4% West Bengal Loan, 1969	24,938	25,000	24,587	86	25,024
17	3½% National Plan Bonds, 2nd Series, 1965	1,00,030	1,00,000	99,650	875	1,00,905
18	4½% Maharashtra State Development Loan, 1972	50,000	50,000	49,625	157	50,157
19	4½% Maharashtra State Development, 1974	25,000	25,000	24,812	100	25,100
20	4½% U. P. Development Loan, 1974	24,462	25,000	24,812	100	24,562
21	4% Madras Loan, 1968	98,850	1,00,000	98,650	302	99,152
<i>Western India Regional Council</i>						
22	Fixed Deposit with Central Bank of India Ltd.	13,445	13,445	..	..	13,445
TOTAL		13,12,573	13,13,445	..	14,770	13,27,343

S. R. SIRCAR,  
Chief Accountant,  
NEW DELHI;

C. BALAKRISHNAN,  
Secretary.

RAGHUNATH RAI,  
Vice-President.

R. C. COOPER,  
President.

P. R. MEHRA; M. R. VENKATARAMAN,  
Chartered Accountants  
Auditors

Dated : 13th Sep., 1964.



## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, NEW DELHI.

## Annexure to Balance Sheet.

## SCHEDULE "E"

## Schedule of Research Fund Investments as on 31st March, 1964.

Serial No.	Particulars	Cost Rs.	Face Value Rs.	Market Value Rs.	Interest accrued Rs.	Total (Cols. 3 & 6) Rs.
1	2	3	4	5	6	7
1	3% Funding Loan, 1966-68	99,380	98,900	1,96,823	1,483	1,00,863
2	2-3/4% Loan, 1976	2,47,260	2,85,200	2,38,142	327	2,47,587
3	4% Loan, 1972	701	700	694	5	706
4	3-1/2% N.P. Bonds (3rd Series) 1967	39,089	40,000	39,660	292	39,381
5	4-1/4% Maharashtra State Development Loan, 1969	35,945	35,000	34,545	66 1/2	1,36,011
6	4-1/4% West Bengal Loan, 1970	1,27,538	1,25,000	1,23,437	1,135	1,28,673
TOTAL		5,49,913	5,84,800	5,33,301	3,308	5,53,221

S. R. SIRCAR, C. BALAKRISHNAN, RAGHUNATH RAI, R. C. COOPER, P. R. MEHRA,  
 Chief Accountant. Secretary. Vice-President. President. M. R. VENKATARAMAN,  
 Chartered Accountants  
 Auditors.  
 New Delhi, 13th September, 1964

## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, NEW DELHI.

## Annexure to Balance Sheet.

## SCHEDULE "F"

## Schedule of Medals and Prizes Fund Investments as on 31st March, 1964.

Serial No.	Names of the Funds	Particulars	Cost Rs.	Face Value Rs.	Market Value Rs.	Interest accrued Rs.	Total (Cols. 4 & 7) Rs.
1	2	3	4	5	6	7	8
1	G.P. Kapadia (1st President) Medal Fund.	2-3/4% Loan 1976	20,000	20,000	16,700	23	20,023
2	Miss. R. Sivabhogam Locket Fund.	4-1/4% Maharashtra State. Dev. Loan 1959	5,004	5,000	4,935	9	5,013
3	Sir Shapoorji Billimoria Prize Fund.	3% Conversion Loan 1946-86.	10,024	15,700	9,891	20	10,044
TOTAL			35,028	40,700	31,526	52	35,080

S. R. SIRCAR, C. BALAKRISHNAN, RAGHUNATH RAI, R. C. COOPER, P. R. MEHRA,  
 Chief Accountant. Secretary. Vice-President. President. M. R. VENKATARAMAN,  
 Chartered Accountants  
 Auditors.  
 New Delhi, 13th September, 1964.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, NEW DELHI.

ANNEXURE TO BALANCE SHEET

Income and Expenditure Account for the year ended 31st March, 1964.

1962-63		EXPENDITURE	1963-64	1962-63		INCOME	1963-64	
Rs.	Rs.		Rs.	Rs.	Rs.		Rs.	Rs.
<i>To General Establishment :</i>				<i>By Fees from Members :</i>				
	1,58,553	To (a) Salaries and Allowances	2,01,236		99,848	By (a) Associates :	1,09,704	
	7,050	(b) Contribution to Provident Fund	7,744		1,54,795	(b) Fellows :	1,68,656	
	4,762	(c) Medical Aid to Staff	4,621		2,54,643		2,78,360	
	376	(d) Travel concession to Staff	2,219		27,155	Less :		
1,70,741			2,15,820		2,27,488	Allocated towards Subscription for Journal	29,750	
							2,48,610	
43,208		To Printing & Stationery	63,469			Certificate of Practice Fee :		
	32,680	To Postage and Telegrams	50,200			55,188 (a) Associates	62,160	
36,264	3,584	To Telephones and Trunk Calls	4,156	54,356	1,04,300	49,112 (b) Fellows	53,396	1,15,556
		To Travelling Expenses		3,32,389	601	Restoration fees & Arrears	1,053	3,65,219
	29,417	(a) Council Members	47,212		30,636	By Regional Council Fees	36,912	
31,747	2,330	(b) Staff	4,637	51,849				
18,874		To General Charges	23,809			Less : Transferred to Branches of Regional Councils (Note 2)		
		To Building and other expenses		1,30,638	Nil.		2,222	34,690
	14,329	(a) Electricity, Rates & Taxes	18,428	49,970	44,010	By Registration Fee :		
					5,960	(a) Articled Clerks	49,500	
						(b) Audit Clerks	8,760	58,260

21,561      7,232    (b) Repair and Maintenance .      23,827      42,255

To Regional Councils Buildings  
Maintenance and other  
Expenses

7,852    (a) Western India .      4,190

135    (b) Southern India  
(Including Rs. 4,000/-  
being taxes for previous pe-  
riod).

12,430

10,853      2,866    (c) Eastern India .      4,399      21,019

3,500      To Audit Fee . . .      5,000

952      To Legal Charges . . .      1,444

To Disciplinary cases Expenses.

20,905    (a) Establishment .      20,574

6,726    (b) Travelling Expenses .      15,095

(c) Travelling Expenses

1,056    Witnesses . . .      1,678

4,782    (d) Counsels Fees .      6,511

(e) Disc. Cases Book ;

Code of Conduct etc. .      9,417

108    (f) General Charges .      302

(g) Section 24 cases Expen-

35,337      1,760      ses . . .      1,055      54,632

By Income from Examinations

3,321    (a) Preliminary . . .      4,995

1,03,324    (b) Intermediate . . .      1,13,048

1,70,239    (c) Final . . .      2,03,621

1,330    (d) Miscellaneous .      1,360

2,78,214

3,23,024

By Post Graduate Course  
Examination Fee (including  
Fees for Practical Training)

700

1,100

Income from In-Country  
Budgetary Control Team  
and 1st Resd. Course on  
Management Accountancy

2,328

By Taxes, Electricity Depre-  
ciation and Common Char-  
ges allocated to Coaching  
Board

6,500

By Coaching Board's Contri-  
bution on Account of De-  
centralisation Scheme

2,845

By Income from Regional  
Councils Buildings

9,756    (a) Western India      5,561

(b) Southern India, including  
Rs. 10,500/- being rent for  
the previous period (Note  
3)

52,500

12,690

2,934

(c) Eastern India .

58,061

By Other Income

3,485    (a) Profit on Sale of Publi-  
cations

4,454

31,041    (b) Interest from Invest-  
ments

31,372

39,084

4,558    (c) Miscellaneous

4,147

39,973

By Excess of Expenditure over  
Income transferred to  
General Reserve Account

24,481

1962-63		EXPENDITURE		1963-64	1962-63	INCOME		1963
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2,565		To <i>Ad-hoc Committee (for enquiring into complaints of Unjustifiable removal of Auditors Expenses :</i>						
		To <i>Examination Expenses (Note 1)</i>						
	40,990	(a) Establishment .	41,683					
	6,963	(b) Printing & Stationery	13,080					
	3,457	(c) Printing of Question papers .	3,739					
	11,260	(d) Travelling expenses .	13,414					
	1,191	(e) T.A. to Prize Winners .	788					
		(f) Remuneration to Examiners, Supdt., Invigilators etc. .	83,955					
	57,951	(g) Arrangement for Exam.	19,691					
	12,473	(h) Publicity	1,393					
1,51,249	14,946	(i) Freight and Misc. Expenses	22,390	2,00,133				
		To <i>Expenditure on Post Graduate Course in Management Accounting (including Examination)</i> .		7,159				
5,710		To <i>Election Expenses</i>		3,643				
		To <i>Preliminary Expenses of the Publication of 50 years History of Accountancy Profession</i>						
541		To <i>Deficit on Revision Course</i> .		15,157				
6,549		To <i>Deficit on Journal expenses</i>		32,065				
21,011		Per Statement No. II Annexed						
27,863		To <i>Deficit on Research Expenses :</i>		11,368				
		To Per Statement No. III Annexed						
6,000		To <i>Grants to the Branches of Regional Councils (No. 2)</i>		6,000				
800		To <i>Grants to Students Associations</i>		601				

4,344	To Seminar Symposium and Study Circle Expenses	3,112
..	To Expenses towards Asian and Pacific Accountants Conference	2,012
2,500	To Expenditure on 4th All India Chartered Accountants (Madras) Conference	770
	To Contribution towards All India (Madras) Students Conference :	1,000
256	To Loss on Assets condemned	41
..	To Publicity for attracting better talents to the Profession ..	18,429
..	To Remuneration for Re-Codification of Regulations and other work done on Publications	8,300
59,140	To Depreciation	71,024
..	To Provision for doubtful debts	1,296
50,000	To Provision for Publication Account	..
30,000	To Provision for Regional Councils Libraries Account	..
..	To S. Vaidyanath Aiyar Memorial Lectures Expenses	718
8,590	To Excess of Income over expenditure transferred to General Fund	..

7,50,185	TOTAL	9,16,481	7,50,185	TOTAL	9,16,481
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- Notes 1. The Expenditure charged under the head "Examination Expenses" does not include any charge in respect of the substantial amount of time which the Institute's staff devotes to examination work or in respect of the use of the Institute's premises.
2. No account has been taken in these Accounts of the amounts spent (and of any balance lying unspent) by the six branches of the Regional Councils, from out of these remittances.
3. This is the estimated amount, subject to fixation with the tenant.

S. R. SIRCAR  
Chief Accountant

C. BALAKRISHNAN  
Secretary

RAGHUNATH RAI  
Vice President.

R. C. COPPER  
President

P. R. MEHRA, M. R. VENKATARAMAN  
Chartered Accountants.  
Auditors.

NEW DELHI :

Dated: 13th September, 1964.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, NEW DELHI.  
(COACHING BOARD)

Annexure to Balance Sheet

Income and Expenditure for the year ended 31st March, 1964.

STATEMENT No. I

1962-63 Rs.	Rs.	Expenditure	Rs.	1963-64 Rs.	1962-63 Rs.	Income	Rs.	1963-64 Rs.
		<i>To General Establishment :</i>				<i>By Registration Fee</i>		9,030
	83,697	„ Salaries & Allowances . . .	1,05,353		7,265	„ Tuition Fee . . .	3,72,404	
	2,963	„ Contribution to P. Fund . . .	3,330					
	1,616	„ Medical Aid to Staff . . .	1,946		2,99,659	„ Less : Amount written off as irrecoverable . . .	6,652	3,65,752
88,305	29	„ Travel Con. to Staff . . .	487	1,11,116				
12,133		„ Printing & Stationery . . .	9,848					
36,128		„ Duplicating & Stenciling . . . „ of Instructional Materials . . .	39,294	49,142	2,925 7,900	„ Revision Course Fee . . . „ Special Revision Course Fee . . .	1,155 1,542	2,697
45,543	44,756 787	„ Postage & Telegrams . . . „ Telephones & Trunk Calls . . .	60,050 336	60,386	4,950	„ Tutition Fee forfeited . . .		13,402
7,025		„ Travelling Expenses . . .		3,283				
5,530		„ General Charges . . .		7,280		„ Other Income . . .		
1,02,145		„ Remuneration to Part-time Tutors . . .		1,43,288	18,226	„ Interest on Investments . . .	21,889	
6,500		„ Taxes, Electricity, Depreciations & Common Charges . . .		6,500	1,652	Miscellaneous Receipts . . .	2,491	
1,900		„ Remuneration to Experts for pre- paring Revision Papers. . .		1,550	939	Profit on Sale of Suggested Answers . . .	589	24,969
21,869	3,526 18,343	„ Depreciation on Assets . . . „ Cost of Printed Materials & Copy- rights written off. . .	4,564 21,427	25,991				
		„ Expenditure on Decentralisation of some of the Functions of Coach- ing Board. . .		2,845				
16,438		„ Preliminary Expenses Written off . . .		4,469				
3,43,516		TOTAL . . .		4,15,850	3,43,516	TOTAL . . .		4,15,850
S. R. SINGAR, Chief Accountant.		B. R. MALHOTRA, Director of Studies.		V. B. HARIBHAKTI, Chairman.		P. R. MEHRA, M. R. VENKATARAMAN, Chartered Accountants, Auditors.		

NEW DELHI  
Dated: 13th Sept. 1964

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, NEW DELHI.

*Annexure to Balance Sheet.*

STATEMENT No. II.

*"Journal"—Income & Expenditure Account for the year ended 31st March, 1964*

1962-63	Expenditure	1963-64	1962-63	Income	1963-64
Rs.		Rs.	Rs.		Rs.
13,313	To Establishment . . . . .	16,222	27,155	By Allocation from Membership Fees towards Subscription for Journal . . . . .	29,750
23,923	„ Paper . . . . .	31,463	10,096	„ Subscription for Journal . . . . .	10,870
20,235	„ Printing & Binding . . . . .	24,541	7,442	„ Advertisement in Journal . . . . .	8,763
4,500	„ Packing & Forwarding . . . . .	5,097		„ Excess of Expenditure over income transferred to Institute's Income and Expenditure Account . . . . .	32,065
3,041	„ Postage . . . . .	3,876			
692	„ General Charges (including Stationery) . . . . .	749	21,011		
65,704	TOTAL . . . . .	81,448	65,704	TOTAL . . . . .	81,448

S. R. SIRCAR,  
*Chief Accountant.*

C. BALAKRISHNAN,  
*Secretary.*

RAGHUNATH RAJ,  
*Vice-President.*

R. C. COOPER,  
*President.*

P. R. MEHRA,  
M. R. VENKATARAMAN,  
*Chartered Accountants.*  
*Auditors.*

NEW DELHI;  
Dated : 13th September, 1964.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, NEW DELHI.

## Annexure to Balance Sheet.

## STATEMENT NO. III.

"Research"—Income &amp; Expenditure Account for the year ended 31st March, 1964.

1962-63	Expenditure	1963-64	1962-63	Income	1963-64
Rs.		Rs.	Rs.		Rs.
21,485	To Establishment	15,104	19,038	By Interest from Research from Fund Investments	19,038
925	„ Cost of Shield and Plaques for the best presented accounts	1,150	2,952	„ Profit on Sale of Research Publications	427
2,557	„ Travelling Expenses	4,140	50	„ Miscellaneous Receipts	50
994	„ Printing & Stationery	198	27,863	„ Deficit Transferred to Income and Expenditure Account	11,368
2,817	„ Postage, Telegrams & Telephones	704			
1,125	„ General Charges (Including Exp. on Advertisement)	1,387			
..	„ Counsels Fee for opinion on Sections of Companies Act	3,200			
20,000	„ Provision for Research on Price Fixation	..			
..	„ Contribution for carrying on Research jointly with Association of Indian Trade & Industry.	5,000			
49,903	TOTAL	30,883	49,903	TOTAL	30,883

S. R. SIRCAR,

Chief Accountant.

NEW DELHI,  
Dated 13th Sept. 1964.

C. BALAKRISHNAN,

Secretary.

RAGHUNATH RAI,

Vice-President.

R. C. COOPER,

President.

P. R. MEHRA,

M. R. VENKATARAMAN,  
Chartered Accountant  
Auditors.